

CHAPTER ELEVEN

STRATEGIC AND SECURITY MATTERS

11.1 The Department of Defence, in its submission to the Committee in March 1997, described the regional environment as one of 'strategic uncertainty' exacerbated by 'territorial disputes, religious and ethnic rivalries and claims to resources'.¹ This is an even more apt description at present as the economic crisis is certain to increase tensions in all the areas identified by the Department in its submission. To the Department's list could be added the possibility of political and social unrest and rising nationalism in countries hardest hit by the economic problems of the region. Even before the crisis hit the region, the internal cohesion of ASEAN had been challenged by the intention to expand the Association to include all ten countries of South East Asia, embracing the less developed, the less politically stable and the less politically acceptable countries of the region. It was a measure of ASEAN's confidence and optimism that it was prepared to contemplate this expansion in its 30th year.

11.2 ASEAN grew out of regional insecurity in the 1960s and its great achievement has been to ameliorate tensions through dialogue and mutual tolerance and thereby concentrate on economic development. ASEAN has shied away from formal military alliances. Those treaties that underpin ASEAN - the Zone of Peace, Freedom and Neutrality (1971), the Treaty of Amity and Cooperation (1976), the South East Asia Nuclear Free Zone treaty (1995) - are statements of peaceful intention rather than military pacts of mutual defence. The Association did not develop the ASEAN Regional Forum (ARF), a broad security related dialogue, until 1994. The processes of the ARF reflect the 'ASEAN way' of building consensus and the increasing ASEAN orientation to the early management of conflict. It has also broadened the agenda through the second track security dialogue from specifically military questions to include such matters as transborder crime, drug trafficking, migration, maritime security and resource questions, the so called confidence building measures. The ARF is moving into the potential vacuum left by the end of the Cold War.

The Strategic Relationships in South East Asia

11.3 The end of the war in Indochina, the settlement of the conflict in Cambodia, the conclusion of the Cold War and the rise in economic power of the countries of South East Asia, North and East Asia, especially China, have combined to alter the strategic relationships of the region. Vietnam has become a member of ASEAN, an organisation which set itself against the rise of Communism in the region in the late 60s and 70s. ASEAN has sought to expand into the full complement of 10 regional countries, adding strategic weight to its views and interests. This process courts difficulties.

11.4 Since the breakup of the former Soviet Union, the Russian influence has declined in the region. ASEAN has been ambivalent about the roles of both the United States and China in the region. There is concern that the United States, which is still seen as pivotal to regional security, might seek to withdraw from the region at the same time as there is a fear

1 Department of Defence Submission, p. S229.

of American hegemony and an unwillingness to accommodate United States' bases within ASEAN countries.² There is concern about the growing power, assertiveness and possible ambitions of China towards South East Asia, Burma and the Spratly Islands in particular, at the same time as there is a desire to include China within the strategic dialogue. Thus ASEAN continues to draw a fine line between regional independence and neutrality and great power engagement that is more paradoxical than contradictory. The ambivalence stems to some extent from the differing views or emphases placed on security by different ASEAN states. For example, the interests of the Philippines or Vietnam over the Spratly Islands or Thailand over the influence of China in Burma are different from those of Malaysia, Laos or Indonesia.

11.5 It is in ASEAN's broad strategic interest that the potential conflicts of North and East Asia on the Korean Peninsula and between Taiwan and China be well managed and that the China/United States/Japan relationships remain stable. The bilateral security arrangements between the United States and significant powers in the region continue to underpin stability for the present.

Formal Architecture

11.6 Formal, multilateral security architecture in ASEAN is limited. The mandatory treaties for membership are not military alliances and there are no dispute settling procedures. The style is one of confidence building through dialogue and statements of principles. The ARF is a new and growing arrangement that may change this situation.

Zone of Peace, Freedom and Neutrality (ZOPFAN) 1971

11.7 Non-alignment and neutrality and the non military nature of the Association were reinforced by the declaration of the ASEAN region as a Zone of Peace, Freedom and Neutrality in 1971. The ZOPFAN Declaration was important as a statement of principle rather than as a plan of action. The declaration was issued in the face of serious regional conflict and international tension and intervention in the region. The ZOPFAN sought to identify the region to itself and to the rest of the world as an apolitical region of coexistence and mutual understanding. This declaration was agreed to by ASEAN despite considerable argument on the nature of neutrality and its implications for security. Thailand, Indonesia and Singapore expressed doubts about the premature abandonment of the security guarantees offered by the United States. At the same time they all resisted any formal collective security regime in the region. In the event, at the end of the war in Indochina, the American presence remained in the region through bilateral arrangements. At the time, Vietnam, albeit outside ASEAN, was opposed to any arrangement that preserved the balance of power as it was in 1975. The zone of peace, freedom and neutrality was a concept only partially realised.

2 JSCFADT, *ANZUS: After 45 Years*, Seminar Proceedings, 11-12 August 1997, p. 165. However, it should be noted that the United States has negotiated a right for its naval vessels and aircraft to use Singapore's military facilities and the location of the US logistics facility and that Malaysia and Indonesia have agreed to limited US naval access to their ports. Exhibit No. 57, Michael Leifer, *The ASEAN Regional Forum*, Adelphi Paper 302, p. 7.

Treaty of Amity and Cooperation 1976

11.8 The intention to develop regional cooperation was more formally defined and more concretely implemented by the subsequent Treaty of Amity and Cooperation developed and endorsed by the Bali Summit of 1976. This treaty was opened to accession to states beyond the region. Papua New Guinea, the only non South East Asian state to do so, acceded to it in 1989. The Treaty of Amity and Cooperation reiterated ASEAN's role as being the peaceful resolution of disputes but also turned attention to economic cooperation and development issues. Both the treaty and the ZOPFAN were important statements of solidarity for ASEAN.

The Nuclear Free Zone

11.9 An advance on the ZOPFAN has been the protracted discussion on declaring South East Asia a nuclear free zone. The first proposal was made at the ASEAN Ministerial Meeting in 1984. Finally a treaty was formulated which sought to prevent the manufacture or the testing or the storage of nuclear weapons in the region although it countenanced the movement of the naval vessels or military aircraft of the nuclear powers.³ The South East Asia Nuclear Weapons Free Zone treaty (SEANWFZ) was not agreed upon until 1995 at the ASEAN Summit and it is still subject to objections from the United States and China. Despite the assurances about the passage of military aircraft or ships, the United States was concerned about the free movement of its ships and the Chinese were concerned about its effect on their claims to sovereignty in the Spratly Islands.

The Five Power Defence Arrangements (FPDA) 1971

11.10 The Five Power Defence Arrangements (FPDA) are not an ASEAN arrangement, although they include two ASEAN countries. They involve Singapore and Malaysia, the United Kingdom, Australia and New Zealand and they are a 26 year old, longstanding, multilateral security mechanism, emerging from former colonial ties. It is the FPDA that has focused Australia's bilateral defence relationships within ASEAN on Malaysia and Singapore in particular.⁴ Under FPDA, regular air and maritime exercises are conducted. These exercises have increased in complexity and sophistication, involving higher levels of force participation and enhanced inter-operability.

11.11 FPDA was described to the Committee as 'vigorous', 'growing' and 'sitting comfortably' within South East Asia.⁵ The April Ministerial meeting 'was a reaffirmation by all the countries that FPDA matters to all the participants and it codified and blessed the program of growing and practical defence activities.'⁶

3 Exhibit No. 14 (q), Leifer, Michael, *The ASEAN Regional Forum*, Adelphi Paper 302, p. 49.

4 However, Australia's bilateral defence arrangements with Indonesia are now on a larger scale than those with its FPDA partners.

5 FPDA's vigour and longevity is in contrast to SEATO which foundered over differing interpretations of its obligations. The other significant military pact is the ANZUS Treaty which does not include any ASEAN members.

6 Department of Defence Transcript, p. 83.

Landmines

11.12 The signing of the *Ottawa Treaty* in December 1997 by Australia and 125 other countries was a significant multilateral agreement affecting a serious regional problem, that of landmines. Cambodia and Laos continue to be badly infested by landmines; the Australian Foreign Minister, Mr Downer, estimated that at the present rate of demining it would take over a hundred years to clear all the landmines from Cambodia.⁷

11.13 The Government has already ratified Protocol II of the *Inhumane Weapons Convention* (IWC) which provides stronger restrictions and prohibitions on landmine use and transfers than had previously applied. However, this measure was largely seen to be an interim response that was inadequate to deal with the problem as a whole. It contained a nine year deferral of compliance clause which effectively delayed its implementation for a substantial period and only about one third of countries have adhered to the IWC, further limiting its coverage. These inadequacies and the slowness of negotiations in the Conference on Disarmament prompted the Canadian initiative to move to the *Ottawa Treaty*. The *Ottawa Treaty* seeks to institute a global ban on the production, stockpiling and transfer of anti-personnel landmines.

11.14 Within Australia, the treaty has to be considered by the Joint Standing Committee on Treaties prior to ratification through the Executive Council. Australia suspended operational use of landmines by the Australian Defence Force in April 1996 and in November 1997, consistent with the *Ottawa Treaty* provisions, the Government announced that Australia would destroy its stockpile of anti-personnel landmines.⁸

11.15 Australia signed the *Ottawa Treaty* despite earlier reservations about the value of a treaty that did not include major producers and exporters of landmines, the United States, China and Russia as well as India, Pakistan and Sri Lanka. Among the ASEAN states Laos, Burma, Singapore and Vietnam had not signed the *Ottawa* at the time of writing. It is Australia's intention to take the issue back to the Conference on Disarmament in 1998 in order to bring those countries still outside the treaty into the process.

11.16 The scale of the problem in Cambodia, where it is estimated that there are between four and six million landmines and where mines and unexploded ordnance continue to claim up to 300 victims a month, and in Laos, where unexploded ordnance affects half the total area of the country, is daunting. In May 1996, the Australian Government announced an additional demining program of A\$18 million, bringing the total support for the landmine programs to A\$27.3 million.⁹ Australia has also proposed a cooperative effort for the development of better demining technology.

7 Interview with Hon Alexander Downer, MP, 3 December 1997.

8 Press release Hon Alexander Downer, MP, Minister for Foreign Affairs and Hon Ian McLachlan, Minister for Defence, 17 November 1997.

9 Exhibit No. 55, Department of Foreign Affairs and Trade, *Peace and Disarmament News*, July 1997, p. 9.

11.17 The Committee recommends that:

34. **the Australian Government in its bilateral discussions and in appropriate multilateral forums such as the ASEAN Regional Forum, continue to encourage the countries of ASEAN and the wider region, in particular China, to ratify the Inhumane Weapons Convention, Protocol II and the Ottawa Treaty.**

Bilateral Relations

11.18 Traditional security arrangements encompassing the ASEAN states exist on a bilateral basis. The United States is the hub of many of these arrangements. It has arrangements with Thailand and the Philippines, with Singapore, Malaysia and Indonesia and with Australia. Separate from the US, Australia has bilateral security ties with Indonesia, defence cooperation arrangements with most of the ASEANs individually and the three way connections of the FPDA. In 1996, Britain signed a Memorandum of Understanding with the Philippines for joint military exercises and exchanges of information. If the multilateralism of ASEAN and the ARF addresses itself to preventive measures and confidence building, bilateral arrangements or discussions have tended to deal with the settlement of disputes or the desire for specific defence assurances in a changing and uncertain environment. Both the ASEAN states themselves and the Australian Department of Defence appear to have a preference for the bilateral defence arrangements in the face of this uncertainty. The Department of Defence described the bilateral arrangements as the 'bedrock of our regional engagement'.¹⁰

The Australia Indonesia Security Agreement 1995

11.19 The Australia Indonesia Security Agreement signed in 1995 is a remarkably short statement, controversial because it was negotiated in secret, although two years in the making, and unexpected as it was at odds with past Indonesian practice of remaining non-aligned and neutral and a leader of the Non-Aligned Movement.

11.20 Australian popular criticism over Indonesian policies in East Timor and more generally on human rights were cited both as an impetus for Indonesia to conclude the treaty and a source of much of the criticism directed at it from within Australia.¹¹ In particular, Article 2, which provides an undertaking by the parties 'to consult each other in the case of adverse challenges', has been criticised as possibly drawing Australia into internal turmoil in Indonesia and challenges to the Indonesian Government. In the most general terms, the Agreement has been opposed in Australia insofar as it appears to endorse the authoritarian Government of Indonesia and its policies in East Timor and Irian Jaya.

11.21 The secrecy was also a source of criticism. It would appear that it was negotiated in Indonesia without the knowledge of the Foreign Minister, Ali Alatas, or consultation with the other ASEAN states. In Australia, there was no parliamentary scrutiny or public knowledge of the negotiations until after the treaty was signed and the United States was

10 Department of Defence Submission, p. S229.

11 Exhibit No. 14, Department of the Parliamentary Library, Research Paper No. 25 1995-96, Gary Brown, Dr Frank Frost and Dr Stephen Sherlock, *The Australia Indonesian Security Agreement: Issues and Implications*, p. 10.

given little foreknowledge. Nevertheless, there was no critical comment from either regional leaders or the United States on the announcement of the agreement.¹²

11.22 Indeed, the regional reaction was more positive, seeing the web of bilateral arrangements enhanced by this agreement at a time of heightened regional anxiety in 1995. It is an anxiety and uncertainty that has accompanied the end of the Cold War in the region; the apparent withdrawal of the United States and the assertive maritime and other claims by China to the South China Sea. Overtures to Australia from regional countries for more formal linkages are illustrated by Mr Goh Chok Tong's statement on the announcement of the Agreement that Canberra's prospective membership of ASEAN was 'thinkable' and that, 'We see Australia playing an important role [in ASEAN] and certainly we would like to encourage Australia to do so'.¹³

11.23 Another interpretation of the Agreement is that it has simply formalised the existing bilateral arrangements of extensive consultation and defence cooperation that have built up between Australia and Indonesia over the past 10 years. The language of Article 2 which requires no more than consultation in the face of 'adverse challenges' is compared to other treaties and found to be non-committal and mild.¹⁴

Other Bilateral Arrangements

11.24 With regard to the ASEAN states, a significant bilateral security arrangement has always been the US-Philippines Military Pact of 1951, an outcome of the former colonial status of the Philippines vis a vis the United States and the experience of the Philippines during the Second World War under Japanese invasion and occupation. This had lapsed by the time of the withdrawal of the United States from its Philippine bases in 1991. However, in 1997, the US Secretary of Defence, William Cohen, put in place a new framework agreement for defence relations with the Philippines. The United States has also specific arrangements with Thailand for the annual conduct of joint military exercises and with Singapore, Brunei, Indonesia¹⁵ and Malaysia for the provision of access to ports and the use of facilities for naval vessels. For a number of the ASEAN countries, these arrangements post date the Cold War and they mark a departure from the non-alignment of ASEAN, especially of Indonesia. Within ASEAN there are also a number of bilateral arrangements: Malaysia-Singapore, Malaysia-Indonesia, and Malaysia-Thailand.¹⁶

11.25 Insofar as the ASEAN Regional Forum, by enveloping 21 nations of the Asia Pacific, has theoretically extended the strategic context to include the security concerns of North Asia, then the bilateral agreements between the United States and Japan and the United States and South Korea are also perceived to be important for overall stability in the region. A

12 *ibid.*, pp. 1-2.

13 Exhibit No. 14, Allen S Whiting, *ASEAN Eyes China: The Security Dimension*, ASEAN Survey, Vol. 37 (4) April 1997, p. 310.

14 Exhibit No. 14, Gary Brown, Dr Frank Frost and Dr Stephen Sherlock, *The Australia Indonesian Security Agreement: Issues and Implications*, Department of the Parliamentary Library, Research Paper No. 25 1995-96, pp. 11-13. The comparison was made to the NATO Treaty and the ANZUS both of which are more strongly worded; however the Agreement is closer to the ANZUS treaty.

15 It is notable that the United States suspended Indonesia from its International Military Education and Training (IMET) program in 1992 as a result of the Dili massacre. This arrangement is about to be partially reinstated.

16 Australia Defence Association Transcript, p. 242.

prospect viewed with apprehension in the region is that, without the presence of the United States, Japan might seek a revival of its military in its own defence. The Korean peninsula is potentially the most unstable regional conflict and, in the view of the Department of Defence, the ASEANs believe the United States presence remains vital.

ASEAN states also know that the Northeast Asian strategic issues - and the shape of the longer term US engagement - will be the key determinants of broader Asia-Pacific security for the foreseeable future.¹⁷

11.26 However, the capacity of the states of North Asia to put these issues on the ARF agenda appears, so far, to have been limited.

11.27 Finally, the view was put to the Committee that the Australian-American alliance was seen by the ASEANs as valuable as it gave the non-aligned countries of South East Asia an arms length 'benefit of United States support without actually committing themselves to it'.¹⁸

Defence Cooperation

11.28 One form of bilateralism has been defence cooperation. These programs have been longstanding in the region. Originally they were established with Malaysia and Singapore. They now extend to most ASEAN states. The Department of Defence noted in its submission that the nature of defence cooperation had shifted as prosperity in the region has grown 'from a donor-recipient relationship to one more focused on mutual goals and cost sharing, and more tuned to the potential benefits to Defence and Australia'.¹⁹ Budget estimates for all Defence Cooperation programs are listed in the table below.

11.29 There are three main aspects to defence cooperation: training programs, military exercise programs and a process of dialogue. Of these, training is the largest program.²⁰ Military exercises are only partially funded by defence cooperation but they form a significant part of Australia's regional bilateral relations. Policy dialogue is funded by the defence cooperation program.²¹

11.30 In 1996-97 there were 579 training and study visits from ASEAN countries under Defence Cooperation Programs. This is separate from the fee-for-service arrangements by which 1,200 Singaporean personnel and dependents are stationed in Australia for training purposes. Training and study courses ranged from several days to twelve months in duration

17 Department of Defence Submission, p. S231.

18 Australian Defence Association Transcript, p. 238.

19 Department of Defence Submission, p. S232.

20 Department of Defence Transcript, p. 82.

21 *ibid.*

Table 11.1: Budget Allocations for Defence Cooperation 1996-1998

DEFENCE COOPERATION 1997-98 SUMMARY			
	1996-97 Forecast Outcome (\$m)	1997-98 Budget Estimates (\$m)	Variation (\$m)
Papua New Guinea	11.868	15.005	+3.137
ASEAN Countries	22.668	25.102	+2.434
South Pacific	30.242	23.957	-6.285
Other Regional Activities	1.951	3.687	+1.736
Facilities for Training	0.104	0.102	-0.002
TOTAL	66.833	67.853	+1.020

Source: Portfolio Budget Statements 1997-98, Defence portfolio, p. 236.

Table 11.2: Training and Study Visits (DCP)

	1993-94	1994-95	1995-96	1996-97
Malaysia	114	137	103	138
Thailand	159	141	110	164
Singapore	82	106	10	27
Philippines	129	88	125	103
Indonesia	120	137	129	147
TOTAL	604	609	477	579

Source: Department of Defence Supplementary Submission, p. S1035.

Table 11.3: ADF Combined Exercise Partners, 1992-93 to 1996-97

	1992-93		1993-94		1994-95		1995-96		1996-97	
	No	%								
ASEAN	17	24.6	26	32.9	37	38.1	45	41.7	47	42.7
US	22	31.9	33	41.8	28	28.9	24	22.2	22	20
NZ	21	30.4	12	15.2	24	24.7	23	21.3	25	22.7
PNG/SWP	2	2.9	4	5.1	2	2.1	3	2.7	5	4.6
OTHER	7	10.2	4	5.1	6	6.2	13	12.1	11	10
TOTAL	69	100	79	100	97	100	108	100	110	100

Source: Department of Defence Supplementary Submission, p. S1035.

and from combat techniques and tactics, engineering, diving, air traffic control, staff procedures, management and logistics support to strategic studies in subject matter.²²

11.31 Joint exercises between the Australian Defence Force and the ASEAN defence forces have grown in the last five years so that they now constitute a greater percentage of bilateral exercises than those conducted with the United States.

The ASEAN Regional Forum

11.32 The European security systems are complex and mechanistic, emerging as they do out of two world wars fought over a large part of Europe. In South East Asia, proposals were made in 1990 for the establishment of similar arrangements to the Conference on Security and Cooperation in Europe (CSCE) by the Australian Foreign Minister, Senator Gareth Evans with the support of the Canadian Foreign Minister, Mr Joe Clark. The proposal for a Conference on Security and Cooperation on Asia (CSCA) received little support from the United States or the ASEAN states themselves. The United States preferred to maintain its bilateral arrangements. Within ASEAN, it was thought that the European model was inapplicable to South East Asia; that the CSCE was concerned to preserve the peace settlements and the status quo whereas in South East Asia the situation was less resolved, more fluid; that there remained territorial disputes; and 'that what security means continues to be different for different countries'.²³

11.33 However, this view changed somewhat in the following four years. The seed having been sown, a security arrangement has developed specifically suited to ASEAN. In November 1991, the United States withdrew from its bases in the Philippines; in February 1992, China reasserted its claims to the Spratly Islands in the South China Sea. Security matters were placed on the ASEAN Ministerial Meeting (AMM) agenda and the Post Ministerial Conference (PMC) agenda in 1992. Then, in July 1994, the ASEAN Regional Forum (ARF) was convened prior to the AMM in Bangkok.

11.34 The ARF includes the Foreign Ministers of the ASEAN countries - now nine South East Asian states, the dialogue partners - Australia, Canada, the EU, India, Japan, South Korea, New Zealand and the United States, the consultation partners - China and Russia, and observers - Papua New Guinea. By including the great powers of the Asia Pacific in the ARF, the ASEANs have interpreted the security interests of the region in the broadest sense. It also has had the effect of drawing the United States and China into a multilateral security dialogue, both of whom preferred bilateral processes to deal with disputes. In 1997, defence officials were invited to join for the first time.

11.35 The Forum is wider than ASEAN in membership and scope but distinctly ASEAN in style. ASEAN was the driving force for its establishment. ASEAN convenes and chairs the annual meetings of the ARF and co-chairs the intersessional meetings. The process is one of dialogue and consensus in pursuit of confidence building. The Committee was told that the ARF expected to develop through three stages: the development of transparency and

22 JSCFADT, *ANZUS: After 45 Years, Seminar Proceedings, 11-12 August*, p. 246.

23 Exhibit No. 14, J. Soedjati Djwandono, *Defence Cooperation between Member States of ASEAN*, The Indonesian Quarterly, Vol. XXIV, No. 4, Fourth Quarter, 1996, pp. 348-349.

confidence building measures, preventive diplomacy and, finally, conflict resolution,²⁴ presumably including the need, ultimately, for enforcement.²⁵

Limitations

11.36 While recognising the newness of the ARF, some witnesses expressed reservations about it. Its limitations included the pace at which it was developing, the disjunction between its structure and the balance of power within it, its size, and its lack of focus on or capacity to address the serious, real or potential conflicts in the region.

11.37 Professor Michael Leifer argued that Australia and Canada were initially impatient with the pace of the ARF and the lack of institutional arrangements for the development of confidence building measures or for moving towards conflict resolution. The Australian Foreign Minister, Gareth Evans pushed for a full list of action programs on the ARF agenda.²⁶ In opposition to this the Singaporean Foreign Minister, Shanmugam Jayakumar, said that forcing the pace of the ARF's development 'would cause discomfort to some participants and discomfort often means diminished participation'.²⁷

11.38 The ASEAN way has prevailed and the possible discomfort of members has kept any direct discussion of the conflict over the Spratly Islands largely off the agenda even though, in this region, much of the uncertainty was focused on the emergence of China and what was perceived to be its uncompromising or equivocal stand on the competing claims to the South China Sea.

11.39 As the ARF has developed, the United States, Japan and South Korea have also expressed frustration both with the pace and the priorities of the agenda.²⁸ ASEAN's leadership of the ARF centring the Forum's style and priorities on South East Asia does not necessarily take account of the most serious regional dispute (on the Korean Peninsula) nor the real power relationships of the region. Professor Leifer concluded that:

The issue of relevance is reinforced by ASEANs insistence on retaining the central diplomatic role in the ARF which confuses power and responsibility and generates frustration among Northeast Asian and Pacific participants.²⁹

11.40 From the point of view of the Defence Department the level of dialogue possible on a bilateral basis through the various defence cooperation programs in the region was significantly higher than that afforded by the ARF at this stage. Because Defence Cooperation was conducted on a bilateral basis, there was greater depth and there were fewer inhibitions.³⁰ Furthermore, the size of the ARF and the disparate strategic interests, or indeed potential or underlying conflicts between members of the organisation, militated against another major confidence building ambition of the ARF, to create greater transparency.

24 Department of Defence Transcript, p. 79. This program was decided at the second annual of the ARF from an agenda paper prepared by the Singapore Foreign Ministry in advance of the meeting.

25 This, of course, is as yet undecided.

26 Dr Tow and Professor Trood Submission, p. S135.

27 Exhibit No. 14, Leifer, Michael, *The ASEAN Regional Forum*, Adelphi Paper 302, p. 36.

28 *ibid.*, p. 59.

29 *ibid.*, p. 59.

30 Department of Defence Transcript, p. 80.

11.41 It was intended that region-wide transparency might be achieved through:

- the production and tabling of defence White Papers - whereby the rationale for military acquisitions was set out in terms of defence intentions;
- the 'prior notification of exercises;
- the invitation of observers to those exercises;
- cooperation on maritime security issues, freedom of navigation, safety of shipping; and possibly
- reciprocal naval ship visits.³¹

11.42 Various assessments were made about whether progress towards transparency had been made. For the most part, witnesses believed there were good intentions but few concrete achievements. Across the region, there was not widespread acceptance of the need for transparency as an essential element of confidence building. Given their strategic situations, some countries did not feel comfortable with candid statements of their capabilities. For example, on the issue of the prior notification of exercises, the Department of Defence reported that:

The Chinese position on that, basically, is that the only exercises that would need such notification or such procedures applied to them would be exercises that take place out of a member country's national borders. Of course, that would mean that all US exercises would need to follow those procedures while almost no Chinese exercises would need to follow those procedures. They stuck pretty rigidly to that position, in spite of a number of countries seeing that as a real stumbling block to any progress on that issue.³²

Achievements

11.43 For all the misgivings, there were a number of positive assessments of the achievements of the ARF so far. Witnesses recognised that there was a need for a multilateral strategic vehicle in the region and that something was better than nothing.³³ It was thought that the ARF has progressed further than expected in its short life.³⁴ It offered a forum for the informal discussion of regional issues which had proved to be useful both on the issues of the South China Sea and the confrontation over the Taiwan Straits, although whether a resolution is any closer is doubtful.³⁵ Most comments in support are in terms of the ARF's 'promise'.³⁶

11.44 The second track dialogue, the CSCAP process, is perhaps further advanced and it may provide the basis for future concrete achievements in the ARF.

Conference for Security Cooperation in the Asia-Pacific (CSCAP)

31 *ibid.*

32 *ibid.*, p. 81.

33 Mr Sinclair Transcript, p. 554.

34 Department of Defence Transcript, p. 77.

35 Exhibit No. 14, Leifer, Michael, *The ASEAN Regional Forum*, Adelphi Papers 302, pp. 55-58.

36 Department of Defence Submission, p. S232.

11.45 Although CSCAP predates the ASEAN Regional Forum, it has become enmeshed, informally at least, in the ARF as the body that identifies and clarifies the issues with which the ARF will deal. The second track activities of the ARF, dealing with preventive diplomacy, peacekeeping and search and rescue were handed to and folded into the CSCAP working groups in 1997.³⁷ Both are relatively new; CSCAP was established in 1993 from a meeting of representatives of regional research institutes in Kuala Lumpur and the ARF was formed in 1994. Both encompass similar difficulties from large, disparate and unwieldy membership, large bureaucracies and slow moving processes. The intention of CSCAP is, and will remain, largely one of research and analysis but it might be hoped that the ARF will become the point of implementation for a collective security arrangement, based on policy recommendations refined in CSCAP. As has been outlined in the discussion above, it has not evolved to that stage yet.

11.46 CSCAP is a non-governmental process. Officials attend but in their individual capacities and provide a link to the ARF process because the same officials often attend that process in their official capacity. There is conformity of membership between CSCAP and the ARF. CSCAP comprises representatives from 20 countries who make up a steering committee. This committee is responsible for management, policy and dispute settlement. Below the steering committee there are national committees made up of officials and non-government members. The work of CSCAP is divided into four (with a fifth planned) working groups dealing with:

- concepts of cooperative and comprehensive security;
- confidence and security building measures;
- maritime cooperation;
- North-East Asian security; and
- transnational crime. (This fifth group is as yet a study group.)³⁸

11.47 The working groups produce memoranda which must be endorsed by their national committees and relevant national government agencies before being presented at the senior officials meeting of the ARF. The working group on maritime cooperation, co-chaired by Australia and Indonesia, has produced two volumes of papers on maritime cooperation which define the issues and propose an agenda for cooperation and regional action. The volumes cover matters such as maritime boundaries and claims, piracy, drugs and illegal migration, the Law of the Sea, maritime safety, environmental and conservation issues, resource sharing and cooperation in scientific research.³⁹

11.48 The definition of security that is emerging out of the CSCAP is a broad one. It is a definition that is not unfamiliar in Asian countries and one that fits into the ASEAN way in philosophical terms but appears to strain the stricture against interference in the internal matters of states. The first working group of CSCAP, tasked to examine concepts of cooperative and comprehensive security, is looking at definitions beyond the traditional, and largely Western, one of military security. The concept of comprehensive security was first articulated by the Japanese in reference to the importance of economic security; in South East

37 Professor Ball and Mr McFarlane Transcript, p. 581.

38 *ibid.*, pp. 579-580.

39 Exhibit No. 42 (g) & (h), Sam Bateman and Stephen Bates eds., *The Seas Unite: Maritime Cooperation in the Asia Pacific Region, 1996* and Sam Bateman & Stephen Bates eds., *Calming the Waters: Initiatives for Asia Pacific Maritime Cooperation, 1996*.

Asia, it has broadened to a concept of national and regional resilience. The new agenda items include environmental security, economic security, questions of transnational crime such as drug trafficking, money laundering, computer crimes et cetera.⁴⁰

11.49 Professor Ball argued that the rhetoric of comprehensive security is stronger than the reality; that the conventional military budgets of regional countries have been growing in the post Cold War era and that this belies the stated emphasis on the importance of the new agenda items. He also notes that in Western countries there has always been a recognition of the significance of social, economic and political factors in the security debate.⁴¹ It would appear that here as with much of the regional debate about cultural and philosophical differences there is greater convergence than the surface rhetoric would allow.

11.50 The ARF and the CSCAP agendas have included increasing recognition of social, economic and environmental problems that have the capacity to destabilise the region. Both organisations, operating as they do in concert, are the only mechanism that has developed to meet these challenges.

11.51 The Committee recommends that:

- 35. the Government continue its broad based support for and involvement in the ASEAN Regional Forum and the second track dialogue CSCAP process.**

Future Challenges

The South China Sea

11.52 While there are a number of residual bilateral disputes within ASEAN, most have been defused by the ASEAN process of negotiation. The South China Sea is a point of tension which has flared more recently with the occupation of Mischief Reef by the People's Liberation Army (PLA) in February 1995. China claims all the islands, reefs and shoals in the South China Sea. Overlapping claims are made by Vietnam, the Philippines, Malaysia, Brunei and Taiwan. In 1994, Indonesia also objected to Chinese maps which depicted Natuna Island and particularly the gas field 180 kilometres northeast of the island as part of Chinese territory.

11.53 Since the end of the Cold War and the emergence of China from general international isolation, the strategic weight of China has been felt more keenly in South East Asia. However, Chinese suzerainty over South East Asia for at least a millennia is an historical experience that remains a powerful influence. The role of China in supporting communist insurgencies, the seizure of the Paracel Islands from Vietnam in 1974 and the reaffirmation of Chinese rights to them as part of their Exclusive Economic Zone in 1996, the Chinese invasion across the border in North Vietnam in 1979, China's growing influence in and arms sales to Burma and the assertive claims to the Spratly Islands, including the occupation of Mischief Reef, have to be understood in the context of this long, historical memory in the region. The Chinese approach in respect of the South China Sea has been described in the following terms:

40 Professor Ball and Mr McFarlane Transcript, pp. 580-584.

41 *ibid.*, p. 585.

Nevertheless there is no expectation that Beijing will give up its insistence on sovereignty over the Spratlys in the near future. Sceptics warn that verbal concessions 'change tactics, not strategy'. China is seen as 'nibbling away' in a systematic process of 'testing limits while marking boundaries'. Comparison is made with the classic game of *wei qi* where occupancy of space without direct attack incrementally isolates opposition.⁴²

11.54 Both ASEAN's apprehension of great power politics and its solidarity in response to China are understandable in this context. The disjunction between the conciliatory assurances of China and the contrary actions have raised anxiety and concern in the region. In the first instance, beginning in 1990, Indonesia set up a workshop involving all interested regional parties seeking thereby to include China in informal discussions on a range of matters relating to the South China Sea. The results, in terms of concessions or moderation of claims on the part of the Chinese, were not promising. China has sought to confine negotiations over the dispute to bilateral discussions. However, in April 1995, during private negotiations with Chinese officials in Hangzhou, China, and in 1996, during the ARF conference, ASEAN solidarity appears to have held firm and impressed the Chinese.

On the eve of this meeting [in Hangzhou] ... the ASEAN delegation closed ranks and demonstrated its solidarity over the South China Sea issue. This degree of corporate solidarity is believed to have caused some surprise and even consternation within China's Ministry of Foreign Affairs.⁴³

11.55 In the last four years, Beijing's actions have been a crucial factor in the strategic concerns in the region. The effect so far has been to steel regional determination and to strengthen security arrangements at every level. As yet, there has been no resolution of the conflicts in the South China Sea. For the future, and since the claims in the South China Sea are complicated by competing claims within ASEAN, this issue is likely to be a test of ASEAN cohesion and ASEAN resolution. This solidarity is going to be made all the more difficult by the expansion of ASEAN and the internal economic pressures that ASEAN states will be under in the next few years.

11.56 As far as the ASEAN approach to defusing this conflict is concerned, there have been some achievements. China has agreed to co-chair the intersessional group on regional confidence building measures and it has agreed to the inclusion of Taiwan as an observer in the CSCAP process.⁴⁴ ASEAN's view is that, given time, the economic imperatives and regional economic integration will make any disturbance to trade and investment through expansionism too dangerous to contemplate.⁴⁵ Given regional attitudes and style, the nature of the regional security arrangements already in place and the pace of development of the ARF, it would seem to the Committee that there is little choice for ASEAN other than to 'build a long-term framework for negotiation with the Chinese'.⁴⁶

42 Exhibit No. 14, Allen S Whitin, *ASEAN Eyes China: The Security Dimension*, ASEAN Survey, Vol. 37 (4) April 1997, p. 303.

43 Exhibit No. 14, Michael Leifer, *The ASEAN Regional Forum*, Adelphi Paper 302, p. 38.

44 Dr Tow and Professor Trood Submission p. S136.

45 *ibid.*, p. S138.

46 Dr Tow and Professor Trood Transcript, p. 176.

An Expanded ASEAN

11.57 Until the currency crisis developed in October 1997, the impact of the expansion of the Association to encompass all ten South East Asian states occupied many analysts. This question has been addressed in some detail in Chapter 5 of this report under the heading of future political challenges. This section will reiterate some of those issues with emphasis on the strategic implications in particular.

11.58 Concerns about the added diversity of the expanded ASEAN complicating the consensus style and the solidarity of ASEAN were put often to the Committee, largely in the following terms:

There is little real interest in developing multinational military cooperation or other aspects of real strategic reassurance, if by doing so, ASEAN states' own sovereign prerogatives are compromised. ASEAN expansion could exacerbate political-security consensus problems within the organisation by accentuating the heterogeneity of membership and member-interests.⁴⁷

11.59 The South China Sea represents the more conventional security challenges inherent in inter-state territorial disputes. A number of the other challenges in the region fall into the category of internal problems that spill across borders and destabilise neighbours or the region as a whole. For the most part these are suitably addressed in the cooperative forums of the ARF or CSCAP. These security issues have been the central focus of security in ASEAN. They have been addressed and largely contained by confidence building dialogue with the Association over the last 30 years and, without underestimating the difficulties, ASEAN has developed means to reconcile the disparate nature of its membership; it remains to be seen if this can be successfully applied a second time for an even more diverse organisation.

Burma and Cambodia

11.60 Burma and Cambodia in particular remain sources of instability in the region: Burma, because of the lack of legitimacy and oppressive nature of its authoritarian Government; and Cambodia, because of the weakness of the ruling coalition and the continued use of violence to resolve political differences. By incorporating, or in the case of Cambodia proposing to incorporate, these states within the Association, ASEAN has, to a significant extent, taken on responsibility for these problems. In the case of both states, the internal problems have generated, or continue to generate, large refugee outflows.⁴⁸ Burma's continued production and distribution of narcotics on a large scale spreads criminal networks through adjacent countries and into the region and the rest of the world. Cambodia's weak coalition has been undermined by the political coup of July 1997. In both countries, political and economic corruption diminish efforts at development by inhibiting investors or distorting what investment or development assistance there is into private hands or unproductive projects.

47 Dr Tow and Professor Trood Submission, p. S 141.

48 The refugee camps along the Thai-Cambodian border were closed by UNHCR in 1995; however, as a result of the coup in July, further refugees have fled to the border again.

11.61 Burma and Cambodia exemplify the importance of and need for the broader security agenda for regional stability; many of the issues arising from the continuing conflicts inside Burma and Cambodia are within the scope of the agenda that both the ARF and CSCAP have developed.

Drug Trafficking/ Money Laundering/Transnational Crime

11.62 Globalisation is not only the globalisation of business but the globalisation of crime as well. As the world becomes more mobile, the telecommunications systems become more efficient, the volume of legitimate capital moving at any time increases exponentially and the international financial system becomes more deregulated, the capacity of national law enforcement to control crime is diminished. International responses have become imperative. The Attorney-General's Department defined the problem for the Committee in the following terms:

Money laundering, and organised crime in general, are important issues in terms of regional security. The expansion of the international reach of organised crime groups in recent years has seen a substantial growth in their economic power. The profits generated by the illegal activities of these groups are available to be reinvested in further criminal enterprises. Once laundered, money is also used to fund legitimate business enterprises which further add to the economic structure and strength of organised crime. This represents a serious threat to the economic and social fabric of many countries.⁴⁹

11.63 The Chairperson of the National Crime Authority, Mr Broome, told the Committee that the IMF had begun to take an interest in the control of money laundering and international crime because it had recognised that it was not simply a law enforcement issue but a core issue for financial markets and financial systems.

[T]he concern - particularly in small economies - that a relatively small amount of laundered funds can destabilise the economy is well recognised, particularly in the Pacific. In some other countries, if banks and financial institutions are prepared to engage in quite organised money laundering, it raises fundamental questions about their credibility as financial market players, about their neutrality, about their transparency ...⁵⁰

11.64 Money laundering and the drug trade are intricately linked. It was estimated by the Australian Federal Police (AFP) that between US\$300 billion and US\$500 billion, or approximately two per cent of global GDP, is possibly being laundered from the sale of narcotics alone. The Chairman of the National Crime Authority, Mr Broome, believed that if major fraud offences other than narcotics were included in the figures, they 'would probably be doubled, but we are dealing with figures about which we do not know the outer bounds'.⁵¹ In size, the drug trade alone rivals the arms and the oil industries. The production of heroin

49 Attorney-General's Department Submission, p. S255.

50 National Crime Authority Transcript, p. 572.

51 *ibid.*, p. 568.

has doubled this decade and the tonnages are increasing.⁵² The AFP described the drug trade in the following terms:

[I]n March 1996 ... the Golden Triangle countries ... Burma, Thailand, Laos and Southern China - produced 65 per cent of the global opium production. The State Department estimates that Burma's production of opium gum increased nine per cent in 1996 and represents 90 per cent of regional production and more than half of global production. Most of this product is refined in Burma by ethnic Chinese. Thence it is trafficked predominantly via southern China and South East Asia, again predominantly by ethnic Chinese. These Chinese familial, cultural and ethnic links facilitate a trafficking chain from the growing regions right into Australia.

Within South East Asia, Cambodia, Vietnam and Laos are a growing concern as drug trafficking countries. Although ethnic Chinese are the most prominent traffickers into Australia, trafficking is also undertaken by Vietnamese and other groups but generally in smaller quantities. Major entrepreneurial and money laundering centres associated with the heroin trade are in Hong Kong and Bangkok.⁵³

11.65 The extent of the problem of money laundering was so great by 1989 that the summit meeting of the G7 decided to establish, through the OECD, an international task force to address the issue. The Financial Action Task Force (FATF) was set up with an international secretariat in Paris. There are now 26 member countries.⁵⁴ Australia was a founding member. The FATF has produced 40 recommendations covering legal arrangements, financial and regulatory systems and law enforcement systems and procedures and the task force brings together experts from all these areas. The 40 recommendations include the passing of national legislation that makes money laundering a criminal offence and that permits mutual legal assistance, extradition and the confiscation of laundered property; law enforcement assistance across borders for the investigation and prosecution of money laundering offences; and, in the regulatory area, systems that prohibit anonymous accounts and the identification and reporting of suspicious transactions.⁵⁵

11.66 FATF seeks to persuade member governments, as well as non-member governments, to implement these recommendations in order to prevent weak links in the international system so that money laundering activities are drawn to countries with poorly regulated financial institutions. The monitoring of the implementation of the recommendations is conducted by an agreed process of multilateral surveillance involving self-assessment and peer review or mutual evaluation.⁵⁶

52 Australian Federal Police Transcript, p. 575.

53 *ibid.*

54 The 26 member countries are: Australia, Austria, Belgium, Canada, Denmark, Finland, France, Germany, Greece, Hong Kong, Iceland, Ireland, Italy, Japan, Luxembourg, the Netherlands, New Zealand, Norway, Portugal, Singapore, Spain, Sweden, Switzerland, Turkey, the United Kingdom and the United States.

55 National Crime Authority Transcript, p. 568.

56 Exhibit No. 41(a), The Financial Action Task Force on Money Laundering, *The Forty Recommendations*, p. 4.

11.67 A number of international organisations and significant national institutions have committed themselves to the work of the task force: the World Bank and the IMF, the United Nations, the Commonwealth of Nations, the European Commission, APEC, and the Gulf Cooperation Council, most national central banks, national justice departments and law enforcement agencies.

11.68 The FATF strategies are to be implemented regionally. In the Asia Pacific region, Singapore, Japan, Hong Kong, Australia, New Zealand and the United States are members of FATF. A secretariat of two staff has been established in Sydney at an annual cost of A\$225,000. For the first three years it was funded by Australia. The Reserve Bank has supplied a third member to the secretariat. The purpose of the secretariat is to:

- promote the acceptance and adoption of the recommendations in those countries in our region which are not members of FATF;
- promote and maintain contact between relevant people in the legal, financial and enforcement areas within the region; and
- coordinate and, in some cases, provide assistance in anti-money laundering training.⁵⁷

11.69 In Australia, there is a coordinating committee for FATF made up of representatives of the Attorney-General's Department, the Treasury, the Reserve Bank, the Department of Foreign Affairs and Trade, the Australian Federal Police, the National Crime Authority and AUSTRAC as well as members of the Asia Secretariat.

11.70 Within this region, the work of FATF has gained APEC endorsement and the interest of the ASEAN secretariat. Linkages into ASEAN have also been established by the setting up of the study group in CSCAP on transnational crime. The transnational study group is very new but has established a number of projects which will direct its work and, presumably, its recommendations. It has decided to address the extent and nature of transnational crime in areas such as money laundering, illegal immigration,⁵⁸ smuggling of arms, technology based crimes and drug trafficking. The Committee commends this development and hopes that it will form the basis of practical resolutions in the ARF as expeditiously as possible. However, notwithstanding the work of CSCAP and the interest of the ASEAN secretariat, the only ASEAN country to belong to FATF is Singapore.

11.71 The Committee recommends that:

- 36. the Australian Government, through contact at ministerial level in the APEC and ASEAN forums and in its normal diplomatic contact, encourage the other ASEAN states to become members of FATF.**
- 37. to improve our regional dialogue and legal cooperation on matters relating to transnational crime, the Government ensure that there is legal representation in at least one major diplomatic post in the region.**

57 National Crime Authority Transcript, p. 569.

58 Rackets by which illegal immigrants were supplied with false documents and advice on applying for refugee status for a charge of up to \$40,000 were reported in the Australian media in December 1997. The Committee was not in a position to examine this proposition.

Trafficking in Women and Children

11.72 Trafficking in women and children in the region has been included in Chapter 4 of the report as part of the migration issues of the region; however it is also a matter of transnational crime. As such it should be included in the regional security talks on the ARF agenda. While some discussion may be taking place as a result of the ARF and CSCAP work on transnational crime, it seems that the dimensions of the problem warrant more focused region wide attention. It affects women and children from poor families in rural areas of Burma, Thailand, Cambodia, China and Vietnam.⁵⁹ It has an impact not only on those countries but on Australia which is the recipient of numbers of the women who are brought into the country for the purpose of prostitution. Apart from the misery inflicted on the victims who are often bound to their procurers by contrived debt, the trafficking in people is associated with the criminal networks of the region, with the spread of HIV/AIDS, with money laundering and with the corruption of border guards and police, and therefore ultimately with the integrity of borders and the orderliness of regional relations.⁶⁰ Illegal migration rackets are a further form of regional criminal activity.⁶¹ The Committee has made recommendations in respect of this matter in Chapter 7 of this report.

Corruption

11.73 The vast sums of money associated with the drug trade, money laundering and related criminal activities have the effect of corrupting the political, financial and economic, systems which they penetrate. This, in turn, makes the criminal organisations ever more difficult to counteract. The Committee received evidence that, as there has been an exponential growth in the international criminal trade, corruption has also increased and that law enforcement agencies both here and elsewhere are increasingly ill equipped to deal with it.

11.74 The increase in levels of corruption and the effect on national security was outlined by Transparency International.⁶² TI believe that corruption contaminates them that give and them that take.

The bribes are almost always paid from developed countries into developing countries in pursuit of big projects in them. ... In the 1960s it was common to pay up to 5 per cent of a total contract price in bribes. And that was regarded as a pretty high figure. A\$100 million contract, A\$5 million in bribes. Today that's small beer. It won't buy you much business. You have to expect 15 or 20 per cent of the total contract price in the total bribes to win the business.⁶³

11.75 Mr Henry Bosch, Chairman of Transparency International, listed the problems of corruption more specifically as:

59 ACFOA Submission, p. S356.

60 *ibid.*, p. S357.

61 See Chapter 7 for more detail on this matter.

62 See also Chapter 8.

63 Transparency International Transcript, p. 485 and ABC Indian Pacific, Spotlight on International Grand Corruption, 7 June 1997.

- the diversion of large sums of money from productive uses to the personal wealth of individuals;
- the distortion of decision making so that contractors are selected on the basis of a bribe rather than their skills or the cheapest price;
- the undermining of standards of safety or quality of workmanship as the contractor attempts to recover the cost of the bribe;
- the disregarding of the needs of the country in favour of the size of the bribe as the criterion for selection of projects;
- the undermining of the confidence of the market in the fairness of society and ultimately a decline in the capacity of the country to attract foreign investors;
- the waste of aid money; and
- the spread of corruption even into more regulated societies.⁶⁴

11.76 Transparency International has mounted an international effort aimed at education and consciousness raising and the mobilisation of political forces within both developed and underdeveloped countries for the lifting of ethical standards in and better regulation of institutions as well as changes to the laws governing corrupt practices. In May 1997, the Attorney-General, Hon D R Williams, MP, and the Minister for Trade, Hon T A Fischer, MP, announced that, in line with the OECD recommendations that members coordinate measures to criminalise bribery, the Australian Government would examine measures to create an international bribery offence. In the May announcement, the Government removed the tax deductibility for bribes and in December the Minister for Justice, Senator the Hon Amanda Vanstone, announced the intention of the Government to criminalise bribery. It is expected that the penalties will include fines and gaol sentences. The target date for the legislation is April 1998 but its passage is dependent on similar legislation being introduced by other OECD countries. The OECD Convention on combating bribery is currently the subject of parliamentary scrutiny. It was referred to the Joint Standing Committee on Treaties on 3 March 1998.

11.77 The Committee commends and supports this effort at curbing bribery.

11.78 However, the proposition was also put to the Committee that the national resources devoted to the control of national borders and for the investigation and prosecution of transnational crime had declined relative to the problem. Customs inspectors, particularly on vulnerable wharves, federal police investigators and surveillance officers and liaison officers placed in regional countries who might develop cooperative systems and better intelligence were all short of resources. In September the AFP claimed that the resources devoted to drug related investigations had dropped to pre-1984 levels. There has been a reduction of funding to the AFP of \$44 million in the 1997-98 financial year and the AFPA claimed there was an \$18.1 million budget shortfall by February 1998.⁶⁵ Customs officers said their numbers had been cut from 5,000 to 4,000 over the last five years.⁶⁶ Given the

64 Transparency International Transcript, pp. 485-486.

65 Exhibit No. 47, *The Canberra Times*, 18 February 1998, p. 1.

66 Exhibit No. 47, *Sunday Age*, 21 September 1997, p. 6.

increasing complexity and scale of the problem, and where investigations therefore were necessarily painstaking and time consuming, this was a losing battle. It is a matter of national concern.

11.79 It was suggested to the Committee that Australia might consider the approach of other countries, namely, that transnational crime be seen as a matter of national security and that there should be greater mobilisation, in a coordinated way of the Australian Federal Police, the customs service, the National Crime Authority and the defence forces. This was seen as particularly appropriate for the security of borders in respect of smuggling of drugs, people, arms etc.

11.80 The Committee recommends that:

38. the Australian Government:

- (a) investigate the practice of other countries in their use of resources to ensure the security of national borders; and**
- (b) following appropriate negotiation, seek to increase the number of AFP liaison officers in countries in the region.**

Piracy

11.81 The value of regional cooperation is illustrated by the response to the problem of piracy. The Attorney-General's Department informed the Committee that the primary areas for threat of piracy are considered to be in the waters of the Malacca and Singapore Straits, the archipelagic off-shore waters of Indonesia (including the Java Sea, Karimata Straits and the Straits of Macassar), the South China Sea, the coastal waters off the southern Philippines and the Gulf of Thailand.⁶⁷ The worst of the problem which reached its peak in 1992 in the straits between Indonesia, Singapore and Malaysia had been addressed by cooperation between these three states in order to increase and integrate patrols in the Singapore and Malacca Straits. The reported attacks have decreased markedly.⁶⁸

Environmental Issues

11.82 Environmental questions have moved firmly onto the security agenda as recognition has grown that resource and environmental questions are increasingly liable to be a source of tension. The issue is one of sustainability. Increasing population combined with urbanisation and industrialisation puts pressure on all areas of the environment. While competition for resources has always been a source of international dispute, the issue has been heightened by the current concern about the implications of climate change, rising sea levels, pollution resulting from industrialisation, smoke haze, an exponential rise in and demand for energy consumption, the development of nuclear energy and the consequent problems of waste disposal or accidents.

11.83 Disputes have already arisen about the management of fisheries in the region, the development of nuclear power plants in parts of Indonesia given the seismic uncertainty of some sites and the extent of logging of forests in Australia, in South East Asia and in the

⁶⁷ Attorney-General's Department Supplementary Submission, p. S854.

⁶⁸ *ibid.*, p. S853.

Pacific. This year, in this region, the El Nino drought and the subsequent forest fires in Indonesia, which created serious health and safety problems in the whole region, illustrated the essentially international nature of environmental issues and added a sense of urgency to the need for cooperation.

11.84 The regional regime of preventive diplomacy and confidence building has put the environment into the CSCAP process within two working groups: the first on concepts of cooperative and comprehensive security and in the third on maritime cooperation. Beyond the CSCAP process, Australia and ASEAN have developed a number of bilateral and multilateral arrangements to address some of the issues. Nevertheless, it was an area which, according to Professor Desmond Ball, was 'crying out for people to do a lot more work in'.⁶⁹

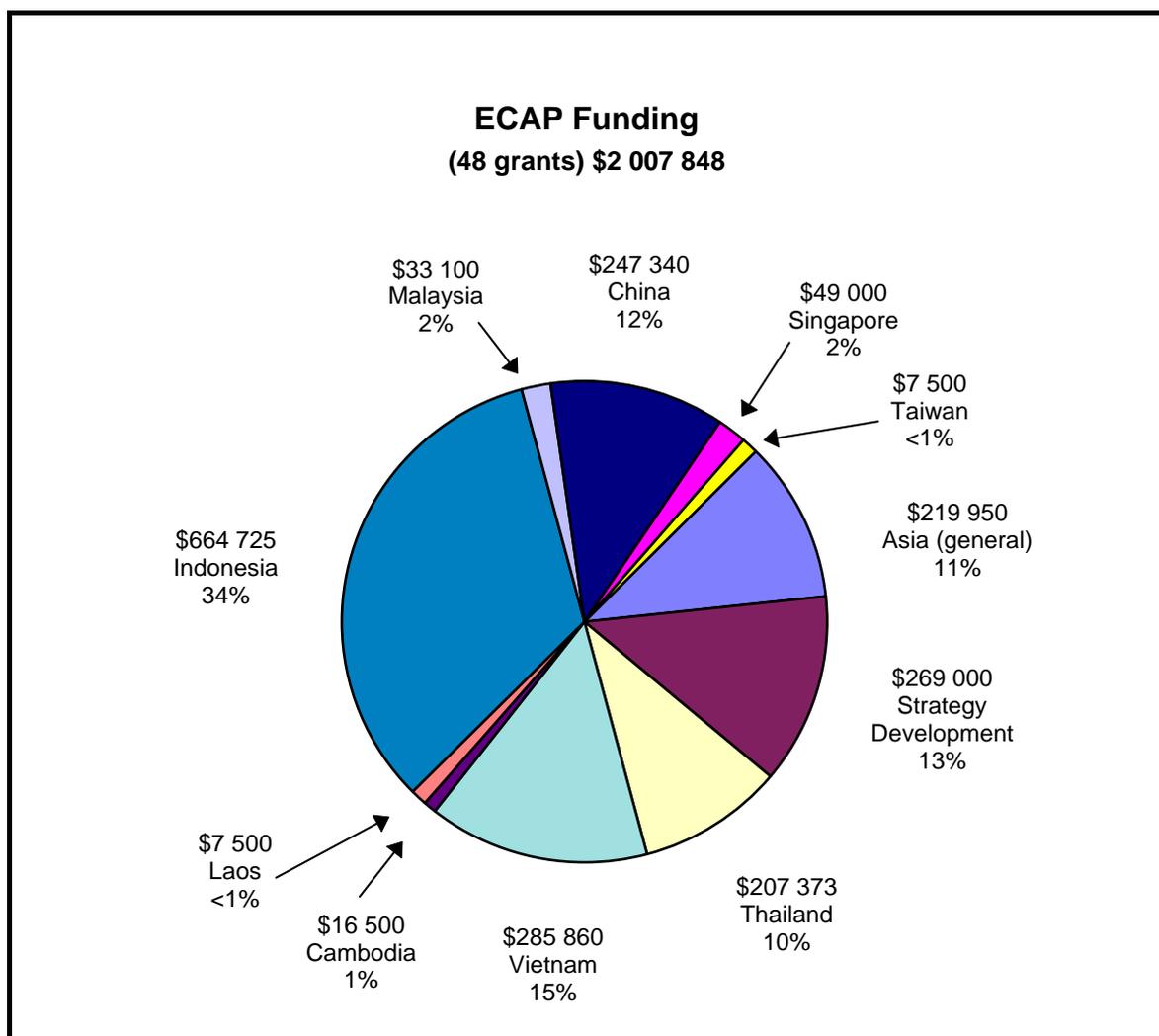
11.85 Australian cooperation with the region on environmental matters covers a number of areas: forests - conservation and management; oceans - coastal management, marine biology and biodiversity, fisheries and coral reefs; meteorology; and air and water pollution - Ozone Network, mining and small business practice, especially in regard to waste management.

11.86 A number of regional environmental programs were detailed for the Committee by the Department of Environment, Sport and Territories. The Environment Cooperation with Asia Program (ECAP), established in 1993, has allocated \$2 million to projects over four years. Of this \$1.2 million has gone to ASEAN countries.⁷⁰

Table 11.4: ECAP Funding

69 Professor Ball Transcript, p. 587.

70 DEST Submission, p. S514.



Source: DEST Submission, p. S515.

11.87 It is a partially aid focused program and partially commercially focused. It aims to assist in environmental management and sustainable development and to expand opportunities for Australian exporters of environmental services.

11.88 The International Environment Commitments Program (IECP) is funded by DEST to fulfil Australia's international commitments under regional and bilateral agreements. In 1996-97, IECP allocated \$310,400 to 10 projects such as the UNESCO Asia-Pacific Sub-Regional Training Workshop on Environmental Education for Sustainable Development or the APEC Working Group: Human Resources for Sustainable Development.⁷¹ There are also AusAID funded programs under the Australian-ASEAN Economic Cooperation Program Phase III (AAECP) which supports projects on coastal zone environment and resource management, waste water treatment, energy from biomass residues etc. Finally, there is a Government Sector Linkages Program (GSLP) between Australia and Indonesia to provide training, staff secondments, technical assistance and research on sustainable development.⁷²

Political Stability and Security

71 For the complete list see DEST Submission, pp. S525-26.

72 DEST Submission, p. S515-16.

11.89 As a result of the economic crisis, security equations are likely to change in significant ways. A factor in the changed strategic circumstances is the possibility of political instability arising from social unrest as a result of unemployment and rising prices, especially in Indonesia. Ethnic tensions and heightened separatism have both emerged as possible destabilising elements. As yet, the demonstrations and unrest in Indonesia and Thailand may be temporary protests at the declining conditions being experienced in both countries, but it is feared that, if reform is not implemented quickly and the economic problems are protracted, then serious social disorder and violence will result. Indonesia's strategic significance to Australia makes this prospect a matter of concern.

11.90 In counterbalance, declining fortunes may lessen the mooted arms race in the region. For some time defence analysts have debated the meaning and impact of the spate of arms purchases by regional countries post the Cold War. In this period, armaments have been acquired in inverse ratio to their decline in the United States, Europe and the former Soviet Union. Professor Desmond Ball stated that regional defence buying had 'resulted in a doubling of the Asian share of world military expenditure over the past decade'.⁷³ Alan Dupont quoted an average growth in expenditure on defence in the region of 6-7 per cent per year. The region has also reoriented its purchases away from the traditional focus on counter insurgency towards defensive weapons.⁷⁴

11.91 Although much of this expenditure was concentrated in north Asia, particularly China, Korea and Taiwan, Thailand and Burma also ranked highly. Professor Ball, however makes the point that the statistics are deceptive and that real expenditure did not always keep pace with the growth of GNP. The ratio of defence spending to GNP in a number of countries, Indonesia, Malaysia and Thailand, was actually falling.⁷⁵ He characterised the expenditure as a response in part to greater insecurity but also a matter of normal modernisation and a result of greater affluence.

11.92 Concerns in Australia about a loss of relativities can perhaps be allayed by the changes in expenditure that have begun since the currency crisis began. Alan Dupont reported that: Thailand had cut its defence budget by 12 per cent in October; Indonesia announced substantial cuts to its defence budget in January and delayed some purchases; and Malaysia suspended plans to buy armoured cars and helicopters.⁷⁶ By February, these cuts had been increased across ASEAN to an average of 20 per cent. However, these cuts may or may not be an ongoing feature of regional expenditure. Should conditions deteriorate, Geoffrey Barker argues, 'economic recession and rearmament are not mutually exclusive as the world learnt in the 1930s'.⁷⁷

11.93 With such greatly fluctuating fortunes within South East Asia, changes may also occur in the power relations in the region with destabilising consequences both for regional stability and the harmony and consensus in ASEAN. Professor Thayer argues that

73 Exhibit No. 27(b), Desmond Ball, *Arms and Affluence: Military Acquisitions in the Asia Pacific Region*, International Security, Winter 1993-94, Vol. 18, No. 3, p. 79.

74 Exhibit No. 47, *The Australian*, 5 February 1998, p. 15.

75 Exhibit No. 27(b), op. cit., p. 82.

76 Exhibit No. 47, *The Australian*, 5 February 1998, p. 15.

77 Exhibit No. 47, *The Australian Financial Review*, 20 January 1998, p. 16.

'Projections of power relativities made as recently as the DFAT White paper, *In the National Interest*, and Defence's Strategic Review now have to be recalculated'.⁷⁸

Conclusion

11.94 The gloom and anxiety that has enveloped the region in the last few months may well be exaggerated, a reaction to the immediate crisis which underestimates the oft quoted 'sound fundamentals' upon which regional countries have based their post war prosperity. Nevertheless, it would be unwise to ignore the signs of structural weakness or the possibility of adverse developments in the social, political or strategic conditions of the region. The Committee concluded that the capacity of individual ASEAN states to weather the storm has been related to the sophistication and comprehensiveness of their regulatory frameworks. More than anything else, redressing these institutional weaknesses should be the focus of reform in the region if there is to be a lasting return to prosperity. Australia's closeness to the region and our natural interest in and dependence on its prosperity gives us a particular responsibility to use whatever influence or resources we can towards the return of that prosperity. For this reason, the majority of the recommendations of this report are directed at assisting the region towards that end wherever possible or appropriate.

11.95 For ASEAN as an organisation, the crisis illustrates the interconnectedness of the region; the extent to which the prosperity of the one affects the prosperity of all, and, given this, it has emphasised the weaknesses inherent in the regional association - the slow consensus style and the unwillingness to consider grave political problems within states. It would seem to be important that ASEAN too uses the crisis as an opportunity to take stock of its role and its capacity to respond to the needs of its members.

11.96 A number of commentators have noted that the problems facing South East Asia at present are of new dimensions. Previous financial crises have not moved so quickly or developed on such a scale as this crisis. This inquiry and report have been produced in the middle of rapidly changing circumstances and it is not yet clear how events will finally unfold. For this reason, the Committee's conclusions are both somewhat tentative and subject to reassessment at a later stage.

Senator David MacGibbon
Chairman

78 Exhibit No. 47, *The Sydney Morning Herald*, 18 February 1998, p. 1.

