

The Asian Crisis and Regional Security*

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When the *baht* plunged to unprecedented depths, dragging with it the Southeast Asian miracle, it signalled not only the end of a decade of prosperity but also the beginning of an era of insecurity. The crisis has forced governments in the region to postpone crucial defense and infrastructure projects and limited their capacities to deliver basic social services. It has also led to political instability and strained diplomatic relationships in some countries, and caused tension in the region. Currency devaluation and bigger oil bills are pushing states to search for alternative fuel sources, including China, which has become more aggressive in asserting its claims to disputed territories believed to be rich sources of oil. The growing presence of the Chinese military in the region despite the region-wide recession will also be the object of security concerns for years to come. In order to find solutions to the financial crisis and its effects on regional security, Southeast Asian countries are urged to seek economic and political cooperation through the Asian Regional Forum (ARF) and the Council for Security Cooperation in the Asia-Pacific (CSCAP) and perhaps survive the crisis without growing too insecure.

The Asian financial crisis has affected not only economies but also the security concerns of individual nations and the region as a whole. In this regard. This article attempts to examine how the financial crisis impinges on the security of Southeast Asia. It will also discuss how regional institutions namely the ASEAN Regional Forum (ARF) and the Council for Security Cooperation in the Asia-Pacific (CSCAP) may help member countries manage the implications of the crisis on regional security. Building confidence among regional countries through transparency measures may serve as the key to managing the security-related effects of the financial crisis.

The Security Implications of the Financial Crisis

The Concept of Comprehensive Security

Asia-Pacific countries view security as comprehensive in nature. This implies that threats to the security of their peoples do not only stem from military aggression from other states but also from anything that undermines people's well-being such as economic problems, environmental problems, health hazards, and political instability. Along

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this line, the financial crisis, by threatening the economic well-being of people in the region, directly affects their sense of security.

The crisis has also shaken up the political landscape of some countries. The resulting political instability eventually forced Suharto, Indonesia's undisputed strongman for more than three decades, to resign from office. Similarly, the crisis has also started to affect the political situation in Malaysia. It remains to be seen, however, whether Malaysians will demand political reforms and eventually the ouster of Mahathir Mohammad, Malaysia's prime minister for 17 years.

The case of Indonesia and possibly that of Malaysia indicate that demand for political reforms resulting from economic difficulties, coupled with the absence of government crisis coping mechanisms, could lead to political instability. Political instability in individual countries in the region could, in turn, undermine regional stability.

Also, regional leaders' voicing their opinion regarding the political situation in other countries and their support or condemnation thereof could negatively affect relationships among states. For example, Philippine President Estrada's and Indonesian President Habibie's vocal support for Malaysia's ousted deputy prime minister Anwar Ibrahim has, to a certain extent, strained the relationship of Malaysia with the Philippines and Indonesia, respectively. The tension that resulted from the publicized exchange between heads of state was felt throughout the entire region. Certainly, this does not improve the prospects of cooperation in finding a solution to the crisis gripping the region.

The Search for New Energy Sources

Most Southeast Asian countries consider imported oil as their primary source of energy. As Asian currencies continue to depreciate vis-à-vis the US dollar, it becomes more costly to import oil which is bought in dollars. This may force countries to either search for oil in their neighbors' territories or adopt alternative sources of energy. Consequently, the search for oil in other Asian countries' territories can affect regional stability and security.¹

The yen's continuing depreciation may push China to devalue the yuan in order to make its exports more competitive against the now

cheaper Japanese products. A bigger oil bill may prompt China to look for other sources and its growing presence in the disputed islands at the South China Sea is a step in this direction. A more aggressive assertion from the world's most populated country could destabilize the entire Asian continent.

Countries that are not in a position to dispute potential oil reserves with the eastern superpower will adopt alternative sources of energy. While the high start-up costs of developing nuclear reactors may make nuclear energy prohibitively expensive, countries that have existing nuclear programs may be more inclined to pursue and even accelerate their programs. This, despite the fact that use of nuclear energy can also negatively affect regional security, if not generate "nuclear paranoia" in the region. After Chernobyl, there is hardly a country not at ease with the horrible effects a meltdown could bring to people and the environment.

In a more conventional manner, the use of nuclear energy opens up the doors for a possible proliferation of nuclear weapons. Fuel rods, which contain uranium, eventually end up with plutonium. The plutonium content can be extracted, reprocessed and used in the production of nuclear weapons.² While Asian countries with plutonium stockpiles will not automatically venture into the production of nuclear weapons for economic and political gain, the possibility of nuclear weapon proliferation and the resulting regional tension is undeniable.

Modernization of Armed Forces

The economic crisis has effectively put on hold the modernization programs of Asia's fledgling militaries. More than a decade ago there were fears of a possible arms build-up among Southeast Asian neighbors. By mid of 1997, it was clear that any plan to beef up one's armed forces had to be reconsidered, if not shelved indefinitely.

In the 1980s the Association of Southeast Asian Nations (ASEAN) countries posted high rates of growth, enabling them to acquire or at least improve their weapons systems. Studies show a positive correlation between economic growth and defense expenditures. GNP leaders, Singapore and Malaysia registered the highest rates of increase in defense spending. Conversely, those with lowest GNP growth rates, such as the Philippines and Indonesia, spent the least.³

The financial crisis has made it very difficult for developing countries to sustain their modernization programs and made it almost impossible for countries with struggling economies, like the Philippines, to start one.

Despite a pressing need to upgrade the Armed Forces of the Philippines (AFP), the Estrada administration has indicated that its primary concern is to ensure a stable food supply for the Filipino people. Defense analysts, however, warn that while the delivery of social services should be the priority of any government, the development of a credible armed forces is as important. Threats of external as well as internal aggression must be addressed in order to maintain domestic stability.

Rise of Regional Powers

The Asian crisis has so far witnessed the downfall of one dictator. It may also have signalled a shift in the balance of power. With the further decline of Japan, the doors have opened for China's bid for regional leadership.

Reported to be only "mildly affected" by the financial crisis, China has successfully enhanced its influence in the region. Accordingly, China "established a constructive posture by committing not to devalue the yuan in 1998, resolving to support the Hong Kong dollar, and contributing \$1 billion to the Thai baht bailout."⁴

Furthermore, China's continued economic growth amidst recession gives it the financial capability to pursue the massive modernization program for its armed forces. Modernization of its armed forces is one of the key components of China's post-Cold war security policy.⁵ It is operationalized through the development of an offensive air force and a forward-deployed navy that are able to project military power beyond China's immediate territory.⁶

These factors may enable China to emerge with a stronger and more intimidating military presence in the region. The increase of its relative power over Japan, Indonesia and other Asean countries has already triggered security anxiety in the region.

Managing the Security Implications of the Crisis

The Concept of Cooperative Security

The financial crisis has shown without doubt that national boundaries have become porous as exemplified by the easy movement of large amounts of capital and investments in and out of the region. Countries have, therefore, become “both sensitive to actions of others and vulnerable to changes...induced by others' behaviors.”⁷

Ironically, while the crisis may have highlighted the inability of individual countries to cope with this kind of challenge and the inappropriateness of unilateral solutions, it has made the adoption of short-term “beggar-thy-neighbor” policies more attractive. In times of difficulty, countries do tend to solve their individual problems unilaterally. The adoption of control measures, protectionist barriers and devaluation of currency, for example, may benefit the implementing country but may also result in regional instability. The fact remains that the financial crisis cannot be addressed unilaterally but rather collectively and cooperatively. The concept of cooperative security, therefore, comes to mind.⁸

The Value of Regional Institutions

Cooperative security emphasizes that security is comprehensive and holistic in nature and incorporates non-military elements. Relations among states should not be seen in zero-sum terms — that the gain of one is necessarily the loss of another. Furthermore, while cooperative security recognizes the crucial role of nation-states as actors in regional affairs, it also recognizes the equally important role of non-state actors in managing security issues. While the creation of formal institutions is welcomed, it is not seen as necessary. What is more important is the establishment of habits of dialogue that enables regional countries to collectively face challenges to their security. Regional institutions such as ARF and CSCAP are therefore vital because they promote the cultivation of “habits of dialogue” among participant countries.

It is important to note that the ARF and CSCAP should not be merely seen as organizations. It is more appropriate to view them as institutions defined in broader terms to include both the organizational and processional aspects. As Young points out, institutions are defined as “recognized patterns of behavior or practice around which expectations converge.”⁹

In a similar fashion, Keohane conceptualizes institutions as “persistent and connected sets of rules, formal and informal, that prescribe behavioral roles, constrain activity and shape expectations.”¹⁰ Institutions “need not be accompanied by organizations possessing their own personnel, budgets, physical facilities and so forth.”¹¹

The key factor, therefore, is not the presence of an accompanying organizational set-up but rather the persistence of the interaction among the actors involved. Following Huntington’s view that institutionalization or the establishment of institutions takes place when procedures and organizations acquire value and stability, even processes such as the ARF and CSCAP become institutions when they persist through time.¹²

The ASEAN Regional Forum

The ARF is a forum at the official (track one) level where the nine ASEAN countries (Brunei, Indonesia, Laos, Malaysia, Myanmar, the Philippines, Singapore, Thailand and Vietnam), their dialogue partners (Australia, Canada, China, European Union, India, Japan, New Zealand, South Korea, Russia, and the US), and observers (Cambodia and Papua New Guinea) discuss security and political matters.

The foreign ministers of these countries attend the annual meeting of the forum usually in July or August of each year. A senior officials meeting called the ARF SOM, held annually in May, supports the ARF. In July, a particular year preceding the annual meeting, various inter-sessional activities are held, namely the inter-sessional support group (ISG) on Confidence Building Measures (CBMs), Inter-sessional Meeting on Disaster Relief, Inter-sessional Meeting on Search and Rescue Cooperation and Inter-sessional Meeting on Peacekeeping Operations.

At the moment, the ARF is considered as “the most practicable approach to security cooperation.”¹³ It is intended to evolve from a forum for confidence-building to preventive diplomacy and ultimately to a mechanism for resolving conflicts and problems in the region in the longer term. As it evolves, the ARF undertakes programs both at the track one and track two levels. While the ARF is an official forum as the foreign ministers of regional countries attend its annual meeting, it also sponsors “second track seminars and workshops that involve academics and officials in their personal capacities.”¹⁴

Interestingly, it is the ASEAN and not the traditional eastern and western powers that leads this forum.¹⁵ Not only does the chairmanship of the ARF rotate among the ASEAN members but also the ASEAN model of dealing with regional security issues through dialogues, consensus and incrementalism has been adopted in the forum. This model prefers political and diplomatic approaches and emphasizes dialogues and consultations in tackling issues with neither formal mechanisms for settling disputes/solving problems nor enforcement mechanisms.

The strength of this model is founded on the “culture of constraint” derived from the commitment to dialogue. But it is primarily weak because it would rather put problems on the sidelines so as not to destroy the relationship of states involved rather than push for the effective resolution of issues.

The Asian crisis, however, has led people to question the viability of ASEAN’s leadership in the ARF and the applicability of the ASEAN model in dealing with critical issues. For one, the crisis has weakened ASEAN’s individual members, limiting their collective position in the ARF which in turn could enable non-ASEAN countries, particularly the U.S. and China to take more influential roles in the forum. Likewise, the crisis has highlighted the Asean model’s uselessness in locating solutions. As pointed out, the model does not seek solutions to problems but instead cultivates an atmosphere where problems could be discussed. Those seeking immediate solutions for their beleaguered countries will question effectivity, if not the existence, of the ARF.

Nonetheless, the ARF provides a mechanism for dialogues which may eventually reduce regional tension and encourage countries to cooperate regarding the security implications of the crisis. It is also a good mechanism for constructively engaging potential regional powers. It is only through institutions such as the ARF that regional powers “can be encouraged to work within a peaceful regional order.”¹⁶ Any act of cooperation among ARF participants can only be undertaken by the states concerned after the trust, confidence and solidarity among the participants have been laid down.¹⁷ The ARF can only become an effective instrument for managing regional security if the governments involved already feel comfortable with each other. This is why the forum emphasizes dialogues and consultations as a form of building confidence among the countries involved.

The Council for Security Cooperation in the Asia-Pacific

CSCAP is a non-governmental organization established by academics and security analysts in the region for “the purpose of providing a structured process for regional confidence and security cooperation among countries and territories in the Asia-Pacific region.”¹⁸

The Council provides an informal mechanism by which scholars and even government officials in their private capacities discuss political and security issues through the convening of regional and international meetings and the organization of various working groups and study groups.

Along this line, five international working groups, namely: (1) Northeast Asian Cooperative Security, (2) Maritime Safety, (3) Comprehensive/Cooperative Security, (4) Confidence and Security Building Measures, and (5) Transnational Crimes have been established. The Council also provides “policy recommendations to various inter-governmental bodies on political-security issues.” Furthermore, it establishes “linkages with institutions and organizations in other parts of the world to exchange information, insights and experiences in the area of regional political-security cooperation.”

CSCAP is composed of Member Committees formed for each country or territory represented in the Council. These countries include Australia, Canada, China, Indonesia, Japan, South and North Korea, Malaysia, Mongolia, New Zealand, the Philippines, Russia, Singapore, Thailand, Vietnam and the United States. These member-committees are in turn composed of “non-governmental and government-affiliated institutions in political-security studies and/or individuals (including officials) in their private capacities.”

Each of these member committees (otherwise known as national CSCAPs) designates one representative to the Steering Committee (SC) which is the highest decision-making body of the Council.¹⁹ The SC meets at least twice a year and is headed by two co-chairs — one from an ASEAN Member Committee and one from a non-ASEAN Member Committee — who have a two-year term.

Aside from the Member Committees, CSCAP is also composed of Associate Members. Included in this category are a European Community

consortium and an Indian institute. These are “institutions in a country or territory not represented in the Steering Committee, and which have demonstrated interest and involvement in the objectives and activities of CSCAP.” They can either participate in the activities of the working groups or in CSCAP’s general meetings as observers. Two United Nations (UN) organizations namely the UN Regional Center for Peace and Disarmament in Asia and the Pacific, and the UN Department of Political Affairs’ East Asia and the Pacific Division have affiliate/observer status. Furthermore, security specialists from Taiwan participate in working sessions in their private capacities.²⁰

CSCAP can be an effective mechanism for promoting regional peace and stability amidst the turmoil brought about by the financial crisis. While some analyst perceive that CSCAP will “divert resources and attention away from other dialogue channels,” many believe that it will not replace or diminish other track two efforts for promoting regional security but will instead complement them.²¹ Furthermore, by encouraging government officials to participate in their private capacities, CSCAP can encourage them to become more transparent in their views.

Through the free exchange of opinions within the Council, participants could generate new ideas and initiatives, particularly on the financial crisis and its implications to regional security, that can be acted upon by governments of regional states. CSCAP can then generate policy recommendations that participants in the ARF process can act upon. In this sense, CSCAP can facilitate changes in governmental thinking.

While some cast doubts on the workability of CSCAP as a multilateral institution because of its numerous and diverse membership,²² these factors make CSCAP a useful venue for examining the far reaching effects of the crisis. Diversity and number of membership do not necessarily make CSCAP ineffective. What is more important is the willingness and open-mindedness of participants to pursue shared but not necessarily unanimous agenda.

The Necessity of Building Confidence

As Southeast Asian countries, through the ARF and CSCAP processes, grapple with the security implications of the crisis, the key to preserving regional peace may be the building of confidence among countries.

Building confidence among regional countries, however, hinges on the sharing of information through transparency measures. Having recognized this, the ARF and CSCAP encourage their participant countries to share information with one another through the adoption of various transparency measures.

Just like individuals, countries feel more confident and secure if they have access to information about the various security issues that confront them and their neighbors. If states withhold information on their economic and military intentions and capabilities other states may develop a feeling of distrust that can permeate the whole region.

Conclusion

The Asian financial crisis has affected the economy, polity and security of individual countries and the Southeast Asian region as a whole. It has undermined the well being of people by creating uncertainty and fear regarding its effects on their lives. The crisis has also forced governments to postpone crucial defense and infrastructure projects and limited their capacities to deliver basic social services. It has led to political instability and strained diplomatic relationships in some countries, and tension in the entire region. The crisis has also shown that the concepts of national and regional security can no longer be confined to the defense or military dimensions alone. National and regional security ultimately involve other dimensions such as the economic, political, cultural and even psychological dimensions of a nation's life.

Currency devaluation and sharp increases in fuel costs have given some countries a reason to be more aggressive in asserting their claims to disputed territories believed to be rich sources of oil, dollar-pegged resource. Some will turn to cheaper sources of energy, even perhaps nuclear energy, along with its attendant health and security hazards.

The crisis has also limited the capability of governments to either initiate or sustain modernization programs for their armed forces while boosting the defensive posture of regional powers. The Chinese military presence grows in Asia despite the region-wide recession and will be the object of security concerns for years to come.

It is therefore an urgent task for all countries concerned to seek solutions to the financial crisis and its effects on regional security. Institutions such as the ARF and CSCAP could play an important role in addressing both economic and political aspects of the crisis. They provide an avenue for the examination of the impact of the crisis on the security of the region and facilitate the search for mechanisms for the management of its ill effects. They provide an opportunity to promote confidence among countries and perhaps mutual trust. Here lies the key to preserving regional peace, stability and security amidst the Asian financial crisis. ❁

Endnotes

- 1 For a discussion on the how the search for oil may lead to a regional conflict, see Mamdouh G. Salameh, "China, Oil and Regional Conflict," *Survival The IISS Quarterly* (Winter 1995-96), pp. 113-146.
- 2 The above information has been culled from the author's notes during the meeting of CSCAP International Working Group on Confidence and Security Building Measures held in Tokyo and Fukushima, Japan on 30-31 October 1997.
- 3 Desmond Ball, *Trends in Military Acquisitions in the Asia-Pacific Region: Implications for Security and Prospects of Constraints and Controls* (Canberra, Australia: Strategic and Defense Studies Center, Australian National University, 1993), p. 3.
- 4 <http://www.nbr.org/pub/analysis/vol9no4/zoellick.html>, p. 4.
- 5 <http://www.iir.ubc.ca/yuan~1.htm>
- 6 See You Ji, *In Quest of High Tech Power: The Modernization of China's Military* (Canberra, Australia: Australian Defence Studies Centre, 1996).
- 7 Robert O. Keohane, "The Diplomacy of Structural Change: Multilateral Institutions and State Strategies," in *America and Europe in an Era of Change*, Helga Haftendorn and Christian Tuschhoff, eds., (Boulder, Colorado: Westview Press, 1993), p. 47.
- 8 For a thorough discussion of the concept of cooperative security, see David B. Dewitt, *Common, Comprehensive and Cooperative Security* (Canada: Canadian Consortium on Asia-Pacific Security, 1994), pp. 13-18.
- 9 Oran R. Young, "Regime Dynamics: the Rise and Fall of International Regimes," in Stephen D. Krasner, ed., *International Regimes* (Ithaca: Cornell University Press, 1983), p. 93.
- 10 Robert O. Keohane, "Multilateralism: An Agenda for Research," *International Journal* (Autumn 1990): 731 as cited in John Gerard Ruggie, "Multilateralism: The Anatomy of an Institution," in Helen Milner and John Gerard Ruggie, eds., *Multilateralism Matters* (New York: Columbia University Press, 1993), p. 10.
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- 13 Amitav Acharya, "ASEAN and Asia-Pacific Multilateralism: Managing Regional Security," in Amitav Acharya and Richard Stubbs, eds. *New Challenges for ASEAN: Emerging Policy Issues* (Vancouver, Canada: UBC Press, 1995), p. 182.
- 14 The above information unless otherwise stated is downloaded from the ARF's home page found at <http://www.dfat.gov.au>.
- 15 See Acharya, p. 182 and Michael Leifer, *The ASEAN Regional Forum (Extending ASEAN's Model of Regional Security)* (London: International Institute for Strategic Studies, 1996), p. 26.
- 16 Paul Dobb, *Towards a New Balance of Power in Asia* (London: International Institute for Strategic Studies, 1995), p. 69.
- 17 See Jusuf Wanandi, "The ARF: Objectives, Processes and Programmes," in Ramnath, ed. *The Emerging Regional Security Architecture in the Asia-Pacific Region*, pp. 41-48.
- 18 See the Charter of CSCAP.
- 19 *Ibid.*
- 20 Ralph A. Cossa, "PACATOM: Building Confidence and Enhancing Nuclear Transparency" (Paper presented during the eight meeting of CSCAP's International Working on Confidence and Security Building Measures, Washington, D.C., U.S.A, 7-9 May 1998), p. 2.
- 21 Paul M. Evans, "The Origins, Context and Prospect of CSCAP," In CSCAP Pro-tem Committee, *The Council for Security Cooperation in the Asia-Pacific Region* (Kuala Lumpur, Malaysia, 1993), p. 30.
- 22 *Ibid.*, p. 30-31.