CHAPTER V

PRESENCE OF OTHER OUTSIDE POWERS IN SOUTHEAST ASIA AND
ITS POSSIBLE IMPACT ON THE LOOK EAST POLICY

Southeast Asia has been at the crossroads throughout history. Geographically positioned at the corridor connecting civilizations and regions, the Region has been open to the cross influences of human beings who came in touch with this area. The history of Southeast Asia has been characterized by interaction between regional countries and foreign powers. Globalization of the region began around 2,500 BCE when the migrations from southern China began to the various islands of the region, which later spread to modern day Malaysia and Indonesia. Hinduism and Buddhism came from the Indian subcontinent. Islam arrived mostly through Indian Muslims and later spread to dominate much of the archipelago around the 13th century. Christianity came along with the European colonization about the 16th century.

Southeast Asia was introduced to the world through its spices. The region remained an enigmatic land for the Europeans who knew about it but did not know how to reach it. Its spices were valued in the markets of Crete and Cicely and were traded by the Arab sea farers and traders from this region via trucial coast in the Persian Gulf. Italian traveler Marco Polo was the first to break the news to Europe about the source of coveted spices which Arabs traded on hefty profits. The lucrative commerce in cinnamon, cassia (senna), and black pepper was thus controlled by the Arabs for many centuries. Arabs were followed by the Romans who discovered the new sea routes, controlled Alexandria and developed it as an important centre for the spices trade. From 13th to 15th century, Venice monopolized the spice trade from this region with the help of Middle Eastern traders. After paying exorbitant prices for spices, Portugal and Spain looked eastward for direct routes to the spice islands of Southeast Asia. The voyages of exploration from Europe culminated into the rounding of the Cape of Good Hope in 1488, and ultimate finding of the ‘Indies’ by Vasco da Gama in 1498. This discovery proved of tremendous commercial importance for the Europeans in the subsequent centuries. The commercial value of its goods allured and attracted the outside European powers to this region. For many centuries, Southeast Asia occupied a pivotal position in the wider Asian economy,
linking China and the Far East with India and the Middle East, and since the early 1500s (the arrival of Europeans) the region began playing a major role in the world-economy.\(^6\)

Portugal was the first European power to establish a bridgehead into the lucrative Southeast Asia trade route with the conquest of the Sultanate of Malacca in 1511.\(^7\) The Netherlands, Spain and France followed suit to supersede Portugal as the main European powers in the region.\(^8\) The Dutch took over Malacca in 1641 and Spain began to colonize the Philippines in 1560s.\(^9\) Acting through the Dutch East India Company, the Dutch established the city of Batavia (now Jakarta) as a base for trade and expansion into the other parts of Java and the surrounding territories. British East India Company, came relatively late onto the scene and began to expand their Southeast Asian empire. They also temporarily possessed Dutch territories during the Napoleonic Wars.\(^10\) In 1819 Stamford Raffles established Singapore as a key trading post for Britain in their rivalry with the Dutch. They demarcated their respective interests in Southeast Asia in 1824 after signing the Anglo-Dutch Treaty.\(^11\) The value of the region is also reflected in the fact that the warring and competing European powers fought for geographical expansion in Southeast Asia with as much vigour as for their European territories. Only Thailand was spared of the foreign rule still it was affected by Western power politics.\(^12\)

By 1913, the British occupied Burma, Malaya and the Borneo territories, French controlled Indochina,\(^13\) the Dutch ruled the Netherlands East Indies (Indonesia) while Portugal managed to hold on to Portuguese Timor.\(^14\) The Philippines remained under Spain till 1898 but was handed over to the United States by the terms of the Treaty of Paris (10 December, 1898).\(^15\)

Colonial rule had a profound effect on Southeast Asia. The dominant Western powers were less interested in occupying territories and more in trade. After about 1850, these powers became more dominant in the region, with the help of technological superiority, an increasingly powerful European mercantile community, a competitive scramble for strategic territory and mercenary armies.\(^16\) Western encroachments on local sovereignty occurred until the 1920s and full-blown modern colonial states existed till the end of Second World War. During European regimes were formed centralized and disciplined structures of governance and strong bureaucratic control.\(^17\) Backed by the enormous economic resources, they effectively
disarmed the indigenous societies and monopolized the economy and state structure. They accelerated the production of tin, oil, rubber, sugar, rice, tobacco, coffee, tea, and other commodities. Demand for labour was met through encouraging mass immigrations, especially from India and China, which brought about massive demographic change. Resultant rapid changes in their physical and human landscape coupled Southeast Asia to a new worldwide capitalist system.

The colonial powers profited from the regions’ vast resources and large market, and effected need based development. Agriculture and mining sectors paved way for export based economies and establishment of bureaucracy, courts of law, print media and to limited brought many changes in the civil society there. It also sowed the seeds of nationalist movements in these countries. Britain and United States were relatively liberal in governance and allowed some political participation. Spain, Netherlands and France allowed only the European in superior legal positions, gave limited civil liberties, did not allow political activities, denied access to modern education to common man, censored the media and discouraged the locals from modern economic activities.

During the Second World War, Japan invaded Southeast Asia in 1941-42. Though some of the leaders welcomed Japanese presence but on the whole the attitude of intellectuals was one of caution. Very quickly people realized that they were now confronted with another, perhaps more formidable and ferocious, version of colonial rule. The Japanese occupation was aimed at creating a Tokyo-centred Greater East Asia Co-prosperity Sphere. In the short term they sought to win the war, and in the long run they hoped to modernize the region on a Japanese model. When in Indochina the Japanese allowed the French to continue to rule in return for their cooperation, the people of Southeast Asia realized that the new and old colonial rulers had more in common with each other than either had with the indigenous peoples. The long term Japanese plans, however could not become a reality as it faced defeat in 1945 and the Western powers staged a come back. Brief Japanese occupation however did not have any radical impact on Southeast Asia.

As the War came to an end, the Western colonial powers became weak to continue their hold on the land of Southeast Asia, and the growing national movements forced them to pack up. At that time these countries had abysmally low literacy, the rituals of religion, myth, superstitions, and supine subservience ruled the
mindset rather than reason rationality, curiosity of enquiry—in short they lacked scientific temper. They faced economic deprivation created by ruthless exploitation of centuries; had politico-administrative structures created by alien and selfish rulers bolstered by overwhelming foreign military presence; and were alienated from their culture and language; were economically maimed; industrially undeveloped and far from the modern technologies. Agricultural economies, they were inextricably interwoven with the economies of their colonial masters.

After independence, a new phase of economic and social reorganization ushered in the countries of the region. Efforts were made to transfer the control over resources and financial institutions. The new governments mooted poverty alleviation programmes and strived to develop social infrastructure such as education and health care. Policies were initiated to maintain national unity by handling immigrant and minority ethnic communities. Countries adopted different models of development but the priority was to promote domestic production, import substitution and tariff protection and to give direction to development to prevent market failure.

In 1967, the Association of South East Asian Nations (ASEAN) was formed to promote economic cooperation among its members (at that time, Indonesia, Malaysia, the Philippines, Singapore and Thailand). At the peak of Cold War, ASEAN was originally a grouping of countries opposed to communist expansion in the region. Its expanding membership however, expanded with the changing status of the communist states in the region. Indochina, while still heavily dependent on subsistence farming and international aid, moved towards hybrid model and promoted private production. Laos and Cambodia began a policy of agricultural corporatization in 1978 and began a 'New Economic Management' program in 1986. Cambodia emphasized on private sector development in its Five Year Plan (1986-1990) and introduced foreign investments in 1989. After 1993, market-based economic practices began to dominate but political unrest and uncertainty throughout the 1990s hampered growth and reconstruction. In Laos and Vietnam, the economy began to be supported by foreign aid and loans, but development was hindered by inadequate infrastructure and opaque governance.

Launching of import substitution industrialization (ISI) in 1970s did not enable the region to overcome its underdevelopment. Economic development in Malaysia and Philippines reached an impasse. Thailand’s economic growth in the
1960s partially opened to import substitution. Indonesia reeled under political instability in the 1960s and 1970s. The shift from ISI to Export Oriented Industrialization (EOI) began in Singapore in late 1960s. Malaysia and Thailand accorded permission to transnational companies in 1970s and 1980s launching a new round of economic growth. As the European powers lost their pre-eminence in the region, these countries developed new relations with the two largest economies - USA and Japan- and slowly integrated itself with the global economy.

Involvement in global economy attracted FDI in the Public Sector accumulating large foreign debts. The non-productive nature of the domestic public sector and a weak private sector could not absorb the fast economic changes thus plunging them into the financial crises the late 1980s. As a result they were forced to privatize their public enterprises and deregulate their economies. In Malaysia, alone, 374 private projects were implemented. In Singapore, even the profitable public enterprises like Singapore Telecommunication Ltd. (SingTel), Singapore International Airlines (SIA) were privatized and listed in the Singapore stock market. In 1987, Indonesia sold off many state enterprises to private sector to reduce the government’s financial deficit with the exception of Myanmar, Laos and Cambodia, the paradigm shifted towards the market-based economies stressing on export-oriented growth, and foreign direct investment which paved the way for their integration into global economy. Deregulation further facilitated the influx of FDI as well as portfolio investment.

With the end of the Cold War and the successful resolution of the Cambodian issue in 1991, the political imperatives could no longer be the glue that would hold ASEAN together. The time was thought to be propitious to move forward on the economic front and for the first time all ASEAN countries were undertaking the same outward-oriented development strategies. Moreover, initiations of international regional integrations like NAFTA, LAFTA, EU and APEC gave rise to protectionism and regionalism on the one hand and liberalization, privatization and globalization (LPG) on the other. The countries of Southeast Asia also strengthened their regional ties as well as integrated in the world economy. Declaration to create an ASEAN Free Trade Area (AFTA) at the 4th ASEAN Summit in Singapore in 1992 gives ample evidence to that effect. This declaration depicted for the first time a strong political
will to increase real comprehensive economic cooperation in ASEAN which could be helpful to become a part of the global economy.

The deregulation of their economies brought in investments, technology, manpower flows, multilateral and bilateral loans and assistance, and powerful multinational corporations. Along with these new tools, came the presence of outside powers in a new avatar. As these countries were ill-equipped to deal with the new realities, they faced 1997 East Asia economic crisis which dealt another blow to the ASEAN’s earlier dynamism and adversely affecting its medium term growth prospects. This crises also scared away many of the outside powers from further investments in the region. The countries like Indonesia, Malaysia, Singapore, Thailand and Myanmar, were forced to look for alternatives for investments, technology and trained manpower. They realized that India was the best alternatives. On the other hand, India too grabbed the opportunity and gave a special attention to these countries through its Look East policy. This proposition was likely to counterbalance the growing presence of China in the region and give India an opportunity to expand its economic and military presence to check China and project itself as an emerging regional power. In the light of changing economic and security patterns in Southeast Asia, it becomes important to investigate the kind and level of the presence of outside powers especially China, Japan, USA, USSR-Russia, and Australia, in the region and its implications on India’s interests and choices.

Military and Economic Presence of External Powers

China

The People’s Republic of China emerged as an important actor in the world politics in 1949. Since then the countries of Southeast Asia have remained a major focus of its foreign policy. Traditionally, China in its view of the world regarded itself the ‘Middle Kingdom’ and the countries of Southeast Asia as its tributaries. Having relations with these countries since times immemorial, China had deep influence on the culture, languages and ethnicity of the region. This relationship became fainted for a long time during the era of colonization when both were subjugated or were under the influence of different European colonial powers. The biggest and most effective Chinese presence in these countries in the form of large number of Chinese population migrated to these lands during different phases of history and under
different circumstances. At present Indonesia has 4 per cent population of Chinese
origin, Malaysia has 23.5 per cent, Singapore 75.6 per cent, Thailand 10.6 per cent
and Myanmar 2.5 per cent. These overseas Chinese are an important bond between
China and the host countries. A large number of them send remittances to their
families and maintain their contacts back home.

As the Second World War came to an end in 1945 and China got liberated to
be declared Republic in 1949, Country’s foreign policy was guided by Mao’s
ideological considerations. In its vision the world was divided into capitalist and the
socialist camps and there was no third way. China remained in its self-imposed
diplomatic isolation till about 1969. But for a brief appearance of Prime Minister
Chau-En-Lai at the Bandung Conference in April 1955, China by and large remained
alone. The US withdrawal from Thailand and Philippines in late1960s, and Pakistan
mediated ping-pong diplomacy between the US and China helped to bring a thaw in
Sino-US relations. China also began to open up to the countries of Southeast Asia,
especially Malaysia, Singapore and Indonesia. In the beginning of 1970s, China
formulated a long-term, political and economic strategy designed to cultivate close
relations with them. Until 1973 China had diplomatic relations only with Laos,
Burma and North Vietnam which were extended to Thailand, Philippines and
Malaysia during 1974-75. After the death of Mao tse-Tung, China increasingly
cultivated the countries of Southeast Asia and the supported the security agreement
among Malaysia, Indonesia and Singapore (signed in 1977) to protect navigation
through the Strait of Malacca.

China’s presence in Southeast Asia has many dimensions. The ASEAN was
not recognized by China till 1975 and the former as an organization distrusted China.
As China harped on economic development after 1976 and achieved higher economic
growth, it gave up many old inhibitions and moulded its foreign policy in tune with
changing times. After 1975 China increased its bilateral relations with all ASEAN
countries. In 1989, it passed laws on Chinese citizenship requiring overseas Chinese
to adopt citizenship of their countries of residence. This further smoothened the
relations with these countries. In July 1991 China’s Foreign Minister Qian Qichen
attended the opening ceremony of the 24th ASEAN Foreign Ministers’ Meeting giving
a new meaning to the emerging relationship. China was made ASEAN’s full dialogue
partner in 1996. In December 1997, President Jiang Zemin held first ever summit with
the ASEAN countries at Kuala Lumpur and pledged to establish a partnership of good
neighborliness and mutual trust with them. In 2003 it signed agreements to build partnership to establish peace and prosperity, and enhance amity and cooperation.\textsuperscript{44}

China has some territorial disputes with the countries of Southeast Asia in the South China Sea including the ownership of islands of Spratly, Woody and Parcels with Brunei, Malaysia, Philippines, Taiwan, and Vietnam. Construction of shelters by China on the disputed Mischief Reef and construction of airstrip on the Woody Island was also the bones of contention.\textsuperscript{45} China’s intentions to extend its naval presence were also not taken kindly by the countries of the region.\textsuperscript{46}

About 85 percent of its trade and an estimated 50 percent of its oil imports depend on sea. To secure the trade routes China not only intended to increase its naval presence in the South China Sea but also keep a vigil of Malacca Straits. It was also to protect the potential offshore oil and mineral deposits, crucial to China’s economic development.\textsuperscript{47} In order to achieve this objective China developed many naval bases like Shanwei, Yantian, Hong Kong, Shekou, Guangzhou, Zhuhai-Gloan, Zhanjiang, Sanya, Basuo, Yangpu, Fangcheng along its southern coast. It also strategically located the South Sea Fleet.\textsuperscript{48} China has developed a new underground nuclear submarine base at southern tip of Hannan Islands, close to vital sea lanes in Southeast Asia.\textsuperscript{49}

The strategic cooperation between China and Southeast Asia was minimal till 1990. It began for the first time in 1994, with China’s participation in the ASEAN Regional Forum (ARF),\textsuperscript{50} paving the way for defence and security ties. After that China’s military cooperation with increased and its naval ships began making port calls to Thailand and Myanmar.\textsuperscript{51} It holds small-scale joint military exercises with Thailand, sends defense equipments, conducts military educational exchange programmes, and trains their officers at People’s Liberation Army (PLA) facilities. China sold Thailand at subsidized rates AK 47s, RPG grenade launchers, 130 mm artillery guns, 24 T-57 main battle tanks, frigates missiles, T-69 and 360 armed personnel carriers (APC) in early 1990s.\textsuperscript{52} It has provided security consultations to Thailand and both conduct joint naval exercises.\textsuperscript{53}

In view of strategic importance of Myanmar, China has given it a special importance in its defense policy. It has developed a maritime reconnaissance and electronic intelligence station on Great Coco Island (about 300 nautical miles south of Myanmar) in the Bay of Bengal. Chinese Army is also building a base on Small Coco
Island in the Alexandra Channel between the Indian Ocean and the Andaman Sea north of India's Andaman Islands. These two islands, leased to China since 1994, are located at a crucial point of traffic routes between the Bay of Bengal and the Strait of Malacca. The Coco Island is ideally located to monitor Indian naval and missile launch facilities in Andaman and Nicobar Islands and monitor the movements of Indian and other navies throughout the eastern Indian Ocean.54

In 1989, China supplied Myanmar weapons worth of US$ 1.4 billion, besides the supply of jet fighters, tanks, naval ships;55 has trained its air force, military personnel,56 and both have developed a deep-water port at Kyaukpyu on Ramree Island in the Bay of Bengal. It has also constructed military installations at the Zadetkyi Island on Myanmar’s southern tip close to Indonesia’s Sabang Island.57 With China’s help Myanmar increased its army from 1,90,000 in 1988 to nearly 4,50,000 in 2007. Myanmar has also allowed China to construct naval base of Haingtyi Island at the mouth of Bassain river near the Bay of Bengal to provide the refueling and maintenance facilities to the Chinese vessels. It has modernized Myanmar’s existing naval bases at Akyab near Bangladesh border and at Mergui. The Chinese strategic presence on the choke points of Malacca straits could have long-term serious security implications for Indonesia, Thailand and ASEAN as a whole. It also speaks of Chinese long-term strategic plans in the Indian Ocean.

With Indonesia, China had a long relationship of distrust and suspicion, but now both have come closer and signed series of agreements to boost cooperation in defense. They signed MOUs to jointly carry research and development in defense technology, marine cooperation including voyage safety and oceanic environmental protection.58 Both have agreed to devise ways to make South China Sea a platform for cooperation and a bridge of friendship. China and Indonesia have signed an agreement in November 2007 to increase defense cooperation and have subsequently embarked on joint production of various war machines.59

China was perceived as a potential threat by Malaysia till the end of the Cold War. Being a maritime neighbour and having disputes with China over the territorial sovereignty for some of the islands in South China Sea, Malaysia still regarded it as a threat to itself and the region.60 However, after 1995 a perceptible change has been witnessed in China’s defense relations with Malaysia. During Prime Minister Li
Peng’s visit in August 1997 to Kuala Lumpur, China proposed to jointly develop the disputed Spratly Island. After 1999, defense cooperation between the two increased and workshops have been held to explore joint weapons production and exercises.\(^6\) China's naval ships visited Malaysia in 1999 and 2001 and Malaysian naval vessels have visited China regularly after 2000. Both signed a memorandum of understanding on maritime cooperation in August 2006. Defense officials from China and Singapore also seek to foster closer military ties.\(^6\)

Between 2002 and 2006, Chinese defense minister, the PLA Chief of General Staff, service and military area commanders, and other high-ranking military leaders paid visits to all the 10 ASEAN member states and the visits were reciprocated by these countries. Meanwhile, Security dialogues with Indonesia, Malaysia, Philippines, Singapore, Thailand, and Vietnam were also initiated. These efforts have brought closer military cooperation of China with Cambodia, Indonesia, Malaysia, Philippines, Thailand, and Vietnam. China has successfully convinced some of these countries for the need to have a joint security partnership. For this purpose, first ARF Security Policy Conference was held in Beijing in November 2004. The conference covered many issues of common concern including the Korean nuclear crisis and the Six-Party Talks, maritime security, and terrorist threats to the region. In its second meeting, held in Vientiane (Laos) on May 19, 2005, China and these states discussed to build cooperation to stamp out drug trafficking, piracy and money laundering in the region.\(^6\)

_Economic Presence_

After the Second World War China and Southeast Asia, did not bother to develop economic relationship. China was more occupied with Soviet Union and the socialist world and the countries of Southeast Asia—at least the select states—either tried a self-sustained economic growth or were more engaged with the Western economies. This estrangement was further exacerbated after 1972 with the beginning of the Cambodian problem in which China supported Vietnam backed Pol Pot regime. The countries of Southeast Asia opposed Vietnamese proxy rule over Cambodia.\(^6\) As this crisis came to an end (alongside the end of Cold War) in early 1990s the world was knocking at the doors of liberalization and globalization. In the fast changing economic scene it became an imperative for China to expand its economic
relationship with neighbouring Southeast Asia. China just could no more wish away the economic potential—resources, market and investment opportunities—in these countries.

To enhance economic relations, China established official contacts with them through ASEAN in 1991. China institutionalized about 48 regular mechanisms, prominent among them being the ASEAN+1 which was launched in 1997. In addition China in agreement with ASEAN created many working groups and signed the Framework Agreement on Comprehensive Economic Cooperation in 2001.

In order to expand its economic presence in these countries, China consciously dampened the outstanding regional disputes, showed willingness to engage in multilateral dialogue and create rhetoric of good neighborliness and mutual benefit. China proposed a free trade agreement with the region. Chinese “penetration” thus focused primarily on economic cooperation and mutual gains. While the figures vary, China is certainly now among the top two or three trading partners for all the Southeast Asian countries. Sino-ASEAN trade as a whole has grown from $8 billion in 1981 to over $130 billion in 2005. Growth of Chinese with the individual select states has grown manifold as shown below:

Table - 5.1
China’s Export with Select Countries (1995-2006)
Value in US$ Millions

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Indonesia</td>
<td>1742</td>
<td>2903</td>
<td>3803</td>
<td>4605</td>
<td>6662</td>
<td>8746</td>
</tr>
<tr>
<td>Malaysia</td>
<td>1889</td>
<td>5253</td>
<td>6810</td>
<td>8460</td>
<td>9303</td>
<td>11646</td>
</tr>
<tr>
<td>Singapore</td>
<td>2759</td>
<td>6863</td>
<td>10134</td>
<td>15392</td>
<td>19752</td>
<td>26513</td>
</tr>
<tr>
<td>Thailand</td>
<td>1642</td>
<td>3553</td>
<td>5707</td>
<td>7099</td>
<td>9105</td>
<td>11806</td>
</tr>
<tr>
<td>Myanmar</td>
<td>136.0</td>
<td>124.5</td>
<td>154.1</td>
<td>187.7</td>
<td>249.5</td>
<td>229.7</td>
</tr>
</tbody>
</table>


Table - 5.2
China’s Import with Select Countries (1995-2006)
Value in US$ Millions

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Indonesia</td>
<td>1495</td>
<td>2427</td>
<td>2957</td>
<td>4101</td>
<td>5843</td>
<td>10403</td>
</tr>
<tr>
<td>Malaysia</td>
<td>1709</td>
<td>6157</td>
<td>7300</td>
<td>10339</td>
<td>13177</td>
<td>15887</td>
</tr>
<tr>
<td>Singapore</td>
<td>4042</td>
<td>8869</td>
<td>11073</td>
<td>16211</td>
<td>20526</td>
<td>27242</td>
</tr>
<tr>
<td>Thailand</td>
<td>2096</td>
<td>4928</td>
<td>6067</td>
<td>8183</td>
<td>11155</td>
<td>13641</td>
</tr>
<tr>
<td>Myanmar</td>
<td>679.6</td>
<td>797.3</td>
<td>998.7</td>
<td>1029.2</td>
<td>1028.4</td>
<td>1328.0</td>
</tr>
</tbody>
</table>

ASEAN share in China’s trade has grown from 5.8 per cent in 1991 to 8.3 per cent in 2000. After China joined the WTO in 2001, total trade volume increased at an even faster pace of more than 20 percent per annum during the 2001–2006. Trade reached over U.S. $100 billion in 2004, registered a 23 percent increase in 2005, reaching 200 billion dollars in 2007.69

Individually trade between Indonesia and China tripled to US$19.06 billion in 2006 from US$ 6.7 billion in 2001.70 China’s exports to Indonesia include electrical machinery and equipment, electronic goods and home appliances, textiles and motorcycles. China’s principal imports include crude oil, natural gas, palm oil, paper, pulp and timber.71 Malaysia is China’s seventh largest source of imports and sixteenth largest export destination. Growth in bilateral trade has registered an average annual growth rate of 21.9 per cent since 2003 reaching US$ 34.1 billion in 2007. Chinese investments in Malaysia mainly concentrated in basic metal and rubber products, transport equipment, wood and wood products, plastic products and machinery manufacturing.72 Bilateral trade between China and Malaysia reached US$ 37.11 billion, in 2006 which included exports worth US$ 13.54 billion and imports US$ 23.57 billion. China mainly exports cereal machinery and electronic products textile yarn and products, clothing and accessories, steel, crude oil, footwear, and vegetables. It imported machinery and electronic products, palm oil, plastics, natural rubber, unprocessed wood, product oil, steel, and crude oil. Singapore ranks the seventh largest trading partner of China and first among ASEAN countries. Total trade between China and Singapore has grown seven fold over the past 12 years which was $21 billion in 2003 and 33.15 billion U.S. dollars in 2005.73 Total trade between China and Thailand stood at US$3.6 billion in 1998 which jumped to US$ 6.6 billion in 2007.74

China’s investments in the countries of the region have also grown since 1991 especially in Malaysia, Singapore and Thailand. Among the select countries Indonesia has received very less investment from China. Country wise FDI inflow from China is shown in the table as follows.
Table - 5.3

FDI Inflow into Select Countries From China (1995-2004)

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Indonesia</td>
<td>6</td>
<td>-1</td>
<td>0</td>
<td>-1</td>
<td>-37</td>
</tr>
<tr>
<td>Malaysia</td>
<td>22</td>
<td>13</td>
<td>2</td>
<td>2</td>
<td>123</td>
</tr>
<tr>
<td>Singapore</td>
<td>81</td>
<td>-178</td>
<td>137</td>
<td>98</td>
<td>224</td>
</tr>
<tr>
<td>Thailand</td>
<td>2</td>
<td>20</td>
<td>21</td>
<td>1</td>
<td>51</td>
</tr>
<tr>
<td>Myanmar</td>
<td>3</td>
<td>5</td>
<td>0</td>
<td>5</td>
<td>18</td>
</tr>
<tr>
<td>ASEAN</td>
<td>137</td>
<td>-81</td>
<td>189</td>
<td>226</td>
<td>1018</td>
</tr>
</tbody>
</table>


More than 2,500 China based companies are operating in Singapore out of which 130 are listed in Singapore Stock Exchange (SGX). These companies had invested about US$ 98 million in Singapore by the end of 2003. About 100 Chinese corporations are operating in Malaysia which invested US$ 72.3 million in 2001 and US$ 175 million in 2006. About 400 Chinese companies are listed in Thailand and out of that 200 companies are operating in construction, mining and electronics. By 2001, Chinese enterprises have owned more than 230 joint ventures in Thailand, and the total Chinese investment in Thailand reached 223 million dollars. Chinese investments in Thailand have focused on small and medium-sized enterprises, covering the light industry, textile, rubber, chemical industry, food processing and nonferrous metal smelting. China also has investments in Thailand's bank, insurance, trade, hotel, restaurant, and real estate. Chinese companies operating in Thailand included SRT International Design, Haier Group (Asia), Lonsen (dye), Somkid etc. Many such companies operate in Indonesia. Many of China's well-known electronic appliances manufacturers such as Cang Hung, Kang Cia and TCL, are also investing and marketing their products in Indonesia. Chinese investment in Indonesia between 1999-2004 reached $6.5 billion with $1.2 billion in the energy sector alone. Many Chinese companies have initiated some projects in Myanmar like hydro power plants, communication networks, cement and paper plants, bridges, rail, roads, ports, air fields, and dams.

China’s presence in the region as a whole and in the select countries shows that the region remains a primary area of interest for China due to a number of reasons. At one side China is projecting itself as the unquestioned regional power having ambitions to be a world power. On the other, it wants to keep the other outside powers out of the region. As the US involvement in the region receded in the early
1990s and Soviet Union packed off from the region, Chinese increased their presence. The countries of Southeast Asia except Myanmar do not want to have deep involvement with China and look towards India as an economic and defense alternative. India through its Look East policy has tried to project itself as an alternative economic and military power.

**Japan**

Japan is an important outside power in Southeast Asia. Its presence in the region is largely economic. After the Second World War, Japan was forced to give up its military policy and its defenses were taken over by the US who created a number of military bases in and around Japan to protect it from the Communist influences and Soviet interference. Therefore, Japan was neither capable nor willing to show any military presence in Southeast Asia after the Second World War.

Japan has no history of relations with the countries of Southeast Asia. It occupied some countries of the region during the Second World War and exploited their economic resources. This occupation was short lived as on 14 August 1945 its forces surrendered before the Americans. This short spell of Japanese presence in the region left a bitter taste which spilled into distrust after the War. During the Cold War Japan became busy in building its economy and infrastructure and Southeast Asia did not figure much in its foreign policy. Moreover, indomitable US presence in the region did not leave any scope for other outside power in Southeast Asia.

Japan’s relations with Southeast Asia were at minimal and informal till 1973, which were formalized with the establishment of the ASEAN-Japan Forum in March 1977. Since then, cooperation has broadened and deepened, covering political, security, economic, social and cultural areas. The ASEAN and Japan established various mechanisms under the ASEAN-Japan dialogue, as well as through multilateral frameworks initiated through ASEAN and ARF.

**Economic Presence**

During 1950s, one third of Japan’s trade was with USA. No one country of Southeast Asia accounted for more than 3% of Japan's total trade. From 1950s through the mid-1970s Japan extended aid and assistance and financially contributed to a number of international organizations aiding the under developed nations of Southeast Asia. In 1954 Japan joined the Colombo Plan, sent trained Japanese
technicians and agricultural experts to various nations in the region. Japanese firms began investments in manufacturing sector and established trade links with these countries. After 1970s, ASEAN and Japan promoted partnership and cooperation through the ASEAN-Japan Forum and the ASEAN-Japan Economic Ministerial Meeting. About 40% of the Japan' Official Development Assistance began to be provided to the region. After the Plaza Accord of 1985 this investment accelerated further. To show its economic presence in the region, Japan signed agreements like Japan-ASEAN Comprehensive Economic Partnership, and worked to establish Free Trade Areas with Thailand (JTEP), Malaysia, and Indonesia, and Singapore. The Comprehensive Economic Partnership leading to a free trade area is likely to be completed by 2012. Economic relations between Japan and Southeast Asia may be divided in four phases i.e. economic rehabilitation period (1945–1969); worldwide recession to trade-friction and aid-driven period (1970–1984); Plaza Accord and end of the Cold War to trade and foreign direct investment-driven period (1985–1996); and financial crisis to the period that saw the proliferation of regional/ free trade agreements commencing in 1997.

Due to growing Japanese interest in the region the countries of Southeast Asia became a major source of raw materials for Japan. Growth of trade between Japan and the select countries is shown in the table as follow:

**Table - 5.4**

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Indonesia</td>
<td>12288</td>
<td>12045</td>
<td>13604</td>
<td>15962</td>
<td>18049</td>
<td>21972</td>
</tr>
<tr>
<td>Malaysia</td>
<td>9199</td>
<td>10530</td>
<td>11222</td>
<td>12777</td>
<td>13181</td>
<td>14241</td>
</tr>
<tr>
<td>Singapore</td>
<td>9219</td>
<td>8935</td>
<td>9696</td>
<td>11567</td>
<td>12536</td>
<td>14854</td>
</tr>
<tr>
<td>Thailand</td>
<td>9477</td>
<td>10001</td>
<td>11395</td>
<td>13459</td>
<td>14986</td>
<td>16571</td>
</tr>
<tr>
<td>Myanmar</td>
<td>85.5</td>
<td>100.3</td>
<td>126.9</td>
<td>163.5</td>
<td>184.8</td>
<td>223.3</td>
</tr>
</tbody>
</table>


**Table - 5.5**

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Indonesia</td>
<td>9217</td>
<td>4409</td>
<td>4228</td>
<td>6082</td>
<td>6906</td>
<td>7971</td>
</tr>
<tr>
<td>Malaysia</td>
<td>21179</td>
<td>14168</td>
<td>14282</td>
<td>16773</td>
<td>16634</td>
<td>19927</td>
</tr>
<tr>
<td>Singapore</td>
<td>26308</td>
<td>14576</td>
<td>15396</td>
<td>19096</td>
<td>19244</td>
<td>19927</td>
</tr>
<tr>
<td>Thailand</td>
<td>21625</td>
<td>14902</td>
<td>18267</td>
<td>22380</td>
<td>26029</td>
<td>25845</td>
</tr>
<tr>
<td>Myanmar</td>
<td>173.4</td>
<td>126.9</td>
<td>137.0</td>
<td>115.8</td>
<td>101.0</td>
<td>105.7</td>
</tr>
</tbody>
</table>

The share of countries of Southeast Asia in Japan’s total exports rose from 11.6% in 1990 to 17.9% in 1996. Exports decreased after the economic crisis, but picked up after 1998 reaching 13.5% in 2001. Similarly, Japan imported 12.7% of its total imports in 1990 from these countries which reached 15.6% in 2001. In 1995, trade with Japan reached US$121 billion, fluctuated to US$ 113 billion in 1997 and US$ 81 billion in 1998. It recovered to reach US$ 88 billion in 1999 and US$ 113 billion in 2000 and again came down to US$ 108 billion in 2003. Japanese exports to the region include prepared foodstuffs, chemicals, plastics, textiles and apparels, vehicles, machinery and electrical equipments and imports include live animals, mineral products, wood articles, prepared food stuffs, vegetable products, fats and oil.

Japanese economic presence in the select countries has also increased by way of extension in the operations of its multinational companies. As the raw materials are readily available in these countries, it is financially viable to invest there. Singapore has more than 2,000 Japanese companies engaged in sectors like electronics and precision engineering, chemicals and transport engineering, R&D and supply chain management. After 1990 Japanese companies have annually invested about S$1.5 billion in Singapore. About 300 Japanese companies are engaged in manufacturing which include Mitsui Chemical, Panasonic, Hitachi, Yamazaki Mazak, Makino, Toppan (printing), Taisei, Kajima (real estate), UNIQLO, DoCoMo (capital), JBIC, Sumitomo Chemical, Asahi Kasei, Mitsubishi Gas Chemical (gas and chemical); Mitsubishi Rayon, Fujitsu, NTT Com, Nissan, AFPD, a Toshiba-Matsushita joint venture, Shimano (cycle manufacturing), Showa Denko, Nissan, Toyota Motor Asia-Pacific, Fujitsu, Denso, Seiko Instruments and Yokogawa Electric.

In Thailand many Japanese companies came in the 1980s. A separate Japanese Chamber of Commerce was set up in Bangkok. About 7,000 Japanese companies are carrying their operations in Thailand in different sectors of economy, out of which about a thousand companies are registered there. About 40 per cent of all direct investment in Thailand comes from Japan. These companies are engaged in manufacturing, oil refining, chemical, electronics and transport sectors. Prominent among them are Toyota Motor Thailand Co., Ltd. (TMT), Nippon Steel Corp., JFE

Due to its natural resources, good infrastructure and well-educated workforce, Malaysia has become an attractive destination for Japanese multinationals. Out of about 1400 Japanese companies operating in Malaysia, about 850 are engaged in the manufacturing sector, while 200 companies are in services sector. The companies such as Sony, Hitachi and Matsushita, Toyota Financial, DoCoMo, Chubu Electric, Mitsubishi Motors, NEC, ANA, Mitsubishi Corp. (LNG) Asahi Kosei, Sharp, Kaneka, Sanyo and Matsushita are running their business in Malaysia since 1980s. Many of them have set up their regional centers there. These companies also bring foreign direct investment, for instance, by 2005, about US$ 9.2 billion had been invested by them in Malaysia in electronics and electrical products, non-metallic mineral products, petroleum and petrochemicals products, chemicals and chemical products and transport equipment.

Japanese companies began investments in Indonesia after 1967. There are about 1000 Japanese companies operating in Indonesia providing job to about 2,82,000 persons. They set up industries akin to the availability of natural resources. Japanese companies invested an estimated US$ 40 billion in Indonesia between 1967 and 2007. Japanese companies having large investments and industrial presence in Indonesia include Inpex Holdings Inc. engaged in Natural Gas Production, Marubeni and Mitsubishi in energy sector, Bridgestone in rubber production, Mitsui in Gas and Crude Oil sector. Military rulers in Myanmar did not allow foreign assistance or investment for a long time. After some relaxation in their approach, about 25 Japanese companies have entered in Myanmar and they are engaged in manufacturing and service sectors. These companies invested US$ 212 million in 2003 in the country.

Japanese FDI in ASEAN, (including the select states), accounted for 18.4% of total FDI inflow in 2001. It invested about US$1.76 billion in 2002 and US$ 2.06 billion in 2003. During the Asian financial crises of 1997–98, Japan pledged a $30 billion loan package and promised more official development assistance. In this way Japan became the largest contributor of funds to the ailing Southeast Asian
economies during the economic crises. In 2004 Japan pledged an additional $1.5 billion in aid to Southeast Asia to develop Mekong River.

**Table - 5.6**

<table>
<thead>
<tr>
<th>COUNTRY</th>
<th>Years</th>
<th>Value in US$ Million</th>
</tr>
</thead>
<tbody>
<tr>
<td>Indonesia</td>
<td>1751</td>
<td>-177</td>
</tr>
<tr>
<td>Malaysia</td>
<td>854</td>
<td>679</td>
</tr>
<tr>
<td>Singapore</td>
<td>1663</td>
<td>1092</td>
</tr>
<tr>
<td>Thailand</td>
<td>557</td>
<td>632</td>
</tr>
<tr>
<td>Myanmar</td>
<td>0</td>
<td>5</td>
</tr>
<tr>
<td>ASEAN</td>
<td>5649</td>
<td>3366</td>
</tr>
</tbody>
</table>


In the era of globalization and expanding market economies, Japan grabbed the opportunity to spread its economic clout in the region. Thousands of Japanese companies have invested in Indonesia, Malaysia, Singapore, Thailand and they are well on their way to enter into Myanmar. Expanding and diversifying trade and foreign direct investment in these countries is touching new heights every year. Japan, therefore, is a major outside power having considerable economic presence in the region.

**United States**

The US presence in Southeast Asia began with its occupation and establishment of military rule in Philippines after the Treaty of Paris in December 1898. United States replaced the military rule with a civil administration in 1902 and ruled the country till 1945 *albeit* with an interregnum of Japanese occupation of Philippines during the Second World War. After the War, United States continued its military presence in the region with its Occupational Forces in Japan and this presence was consolidated by the US-Japan Security Treaty of 1951. During the Korean Crises in June 1950, United States --under the UN aegis-- sent its forces to help South Korea (Republic of Korea) to repeal the North Korean attack beyond 38th parallel. It also signed the Mutual Defence Treaty with South Korea in 1953 which allowed the US army to station there. United States also provided a blanket of security to Taiwan to protect it from the possible Chinese attack.
To augment and rationalize its military presence in Southeast Asia, United States created South East Asia Treaty Organization (SEATO) in 1954. While Thailand and Philippines became members, other countries of the region either refused a formal military alliance with the US to peruse their independent foreign policy or remained non-aligned. In the context of Cold War and its policy of Soviet containment, US tried to build a deterrent through these alliances. Throughout the Vietnam War (1959-1975) USA fought against the Communist Gorillas of North Vietnam who were supported by the Soviet Union and People Republic of China. United States withdrew from the region after heavy losses and adverse domestic public opinion. Thus during the Cold War US military presence in the region was due to the exigencies of Super Power rivalry which continued till the dawning of a new era of globalization. United States has considered its national security interests intimately tied with Southeast Asia. Growing economic and military might of China, spread of terrorism in Southeast Asia, economic potential of the region and to protect the sea lanes for its trade with the region and for uninterrupted supply of oil from West Asia to its allies – Japan, Korea, and Taiwan are few reasons for US military presence in the region. During the Cold War United States maintained Subic Bay Naval Station in Philippines as its only military base in the region was shut down in 1991. The US had no military cooperation with Indonesia even after the end of the Cold War. Thailand, however, has resumed its military ties with the US.

End of the Cold War coincided with a slump in the US economy, and disintegration of the Soviet Union. In the changed global environment United States became less willing to enhance military cooperation with these countries. Malaysia and Indonesia did not favour any overt and institutionalized ASEAN security cooperation with the US. However, the United States succeeded in its maneuvers to create the ASEAN Regional Forum (ARF) in 1994 in order to pursue its military and security objectives in Southeast Asia. The ARF has minimal institutional structure and includes ten ASEAN member states and ten ASEAN dialogue partners including United States. This mechanism however can not be regarded as the US military presence in the region.

The US military aid to Southeast Asian countries from 2001 till 2007 has grown at 40.04% per year with an annual average of $49.73 million. Military aid to the region reached $348.11 million during this period. However, 74.38% of the aid goes to Philippines, Thailand a far second with 9.27% and East Timor, 8.82 per cent.
Five countries (Cambodia, Indonesia, Laos, Malaysia, and Vietnam) collectively account for 7.53 per cent.\textsuperscript{113}

As the economic stakes of United States and its allies increased in the region, it made efforts to cultivate bilateral defense relations with them. Among the select states, Singapore was the first country to offer access to US Forces use to its military facilities and signed a MoU in November 1990.\textsuperscript{114} Since then the US Navy maintains a logistical command unit in Singapore. In January 1992, both countries signed another agreement which allowed the US military facilities to relocate from Philippines to Singapore.\textsuperscript{115} These facilities are used to protect US strategic interests in the region.\textsuperscript{116} USA has also supplied various types of weapons to Singapore since 1976.\textsuperscript{117} Singapore also offered the use of its airfields and port areas to the US after the 9/11 bombing and for the US war against terrorism.\textsuperscript{118} It passed Anti-Terrorism Regulations Act in November 2001 and also formed a national security anti-terrorism Executive Group (EG). US-Singapore coordination specifically on security issues further deepened with the signing of a Strategic Framework Agreement in 2005.\textsuperscript{119}

With the end of the Cold War, especially after 2001, US began to pay more attention to Malaysia perceiving it a significant ally in the global war on terror. United States and Malaysia signed a Memorandum of Understanding on counter-terrorism in May 2002.\textsuperscript{120} After that US was given access to Malaysian airfields and ports, was provided a base for jungle warfare military training and both conducted joint exercises every year. Malaysia also offered repair and maintenance facilities for U.S. naval vessels.\textsuperscript{121} A large number of Malaysian defence personnel are given training under the US International Military Education Training (IMET) programme.\textsuperscript{122} It chose Malaysia in 2003 to establish the South East Asia Regional Center for Counter Terrorism (SEARCCCT). Both the countries have agreed to share logistics and supplies for 10 years under the Acquisition and Cross Servicing Agreement 2005.\textsuperscript{123} United States has also supplied various types of weapons to Malaysia from time to time.\textsuperscript{124}

During the Cold War, Indonesia was a strategic asset to the US and it gave full support to the authoritarian regime of Suharto after 1965 as it served the US policy of containment of communism.\textsuperscript{125} However, on the East Timor issue, US accused Indonesia of violation of human rights. As a consequence, after the Cold War US suspended military aid to Indonesia and training under the International Military Educational Training (IMET) Program in October 1992. Sale of small and light arms
to Indonesia was banned in 1994, joint military exercises were cancelled in 1999 and all military assistance was suspended under the Leahy Amendment of 2001.\textsuperscript{126}

Following 9/11 and the “war on terror”, US resumed military assistance to and training of Indonesian troops for counter-terrorism and peacekeeping. The Bali bombings in 2002 provided further impetus, and the Indonesian counter-terrorism campaign quickly gained momentum with the passing of anti-terror regulations in January-February 2002 and an Anti-Terrorism Law in 2003. United States provided help to Indonesia during the post-tsunami relief operations and in earthquake disaster of May 2006.\textsuperscript{127} After the President Susilo’s visit to the US in May 2005, the restrictions on military aid were partially relaxed and sale of non-lethal defence equipment was permitted. Subsequently the US resumed full military relations with Indonesia on the premise that the US support is part of the strategy of its global war on terror.\textsuperscript{128} Concern for Maritime security of the Straits of Malacca was another reason of rejuvenation of military relations. However, the US proposal for a Regional Maritime Security Initiative (RMSI) could not find favour with the littoral states at it impinged on their sovereignty.\textsuperscript{129} The United States has also sold defense equipment and many other related hard wares to Indonesia.\textsuperscript{130}

The US had defense relations with Thailand throughout the Cold War. It pumped more than $ 2.5 billion between 1951 and 1975 as military aid to Thailand to develop a regional bulwark against the spread of communism.\textsuperscript{131} They have been bound by a military assistance agreement since 1950, and have conducted many military exercises every year. The US has provided $ 2.5 million annually to Thailand through IMET programme.\textsuperscript{132} The country is a major recipient of US military weapons and equipment to conduct Electronic Warfare.\textsuperscript{133} After the end of the Cold War, the US-Thai relations further strengthened on the basis of shared economic and trade interests. After September 2001, US launched a world wide campaign to fight out terrorism and Thailand showed its commitment to share American resolve in this regard.\textsuperscript{134} United States and Thailand jointly established a Counter-Terrorism Intelligence Centre (CITC) in 2001.\textsuperscript{135} This centre is run jointly by the CIA and Thai intelligence agencies, and the US provides $ 10 to 15 million to this centre annually.\textsuperscript{136} Thailand has opened the Vietnam era air base in Utapao and a naval base in Sattahip to provide logistic support to US for its forces in Afghanistan and the Middle East. In July 2001 Thailand became the first country in Southeast Asia to purchase advanced medium range air-to-air missiles for its US supplied F-16
United States created the Southeast Asia Cooperation against Terrorism (SEA-CAT) in Thailand in 2002 (which also included Indonesia, Malaysia and Singapore), to coordinate intelligence network and security operations against terrorism. It has also established a national counter-terrorism field training facility for Thai military and police.

During the Cold War American military presence in the region was to counter Soviet Union and China and contain communism, in the post Cold War period US built defense partnership through ASEAN and bilateral means to protect its economic interests, secure sea lanes, fight against terrorism, and counter growing Chinese influence in the region. United States regards this area as “potential Al-Qaeda hubs.” In the process it has succeeded to build security relationship with Indonesia, Malaysia, Thailand and Singapore. Region’s moderate Islamic countries are now regarded by it as the second front in the war against terrorism. Among the select states, Myanmar is the only country having no military relationship with United States.

**Economic Presence**

During the Cold War, Southeast Asia was not an economic priority for the US policy makers. At the end of Cold War, emerging strategic partnership gave way to the economic relations between the United States and Southeast Asian countries. United States formed the Enterprise for ASEAN Initiatives (EAI) in 2002, to negotiate bilateral free trade agreements with ASEAN countries including the select states. A Free Trade Agreement was signed with Singapore and Malaysia in 2003 and 2004 respectively. Apart from individual agreements, US initiated dialogue with ASEAN to establish a regular framework to promote trade with ASEAN. A joint comprehensive framework called “ASEAN-US Enhanced Partnership” was mooted in November 2005 to extend cooperation in various sectors of economy.

United States has gradually become the largest trading partner of the Southeast Asian countries. Total trade between USA and Southeast Asian countries was US$ 119 billion in 1997, which increased to 130 billion in 2003 and 169 billion in 2006. Among the select states, Malaysia is its 10th largest trading partner with trade of US$ 16 billion per annum in 1995 which increased to 44 billion in 2005. More than 20% of Malaysia’s exports reach the U.S. market including electrical machinery,
furniture, rubber products, optical, medical and scientific equipment and imports like electrical machinery, machinery, optical & scientific equipment, aircraft, iron and steel. Singapore ranked as 16th largest trading partner of United States in 2005, with a total trade of above $35 billion. Similarly, Thailand is United States’ 17th largest trading partner with a trade amounting US$ 19 billion in 1995 and 27 billion in 2005. Indonesia is the United States’ 31st largest trading partner with an annual trade of $10 billion in 1995, and 16 billion in 2005. Imports from select countries included transistors, semiconductors, automatic data processing machine, telecom equipments, woven dresses, textile fabrics, electrical equipments, natural rubber and exports like aircrafts and its equipments, parts and accessories of office machines, controlling equipments, mechanical handling equipments, engines and motors, electrical switches relays, electrical machinery and parts.140 US trade with select countries is shown as follows:

**Table - 5.7**

<table>
<thead>
<tr>
<th>Country</th>
<th>Years</th>
<th>Value in US$ Millions</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>1995</td>
<td>2002</td>
</tr>
<tr>
<td>Indonesia</td>
<td>6322</td>
<td>7570</td>
</tr>
<tr>
<td>Malaysia</td>
<td>15313</td>
<td>18826</td>
</tr>
<tr>
<td>Singapore</td>
<td>21576</td>
<td>19106</td>
</tr>
<tr>
<td>Thailand</td>
<td>10078</td>
<td>13522</td>
</tr>
<tr>
<td>Myanmar</td>
<td>79.0</td>
<td>345.4</td>
</tr>
</tbody>
</table>


**Table - 5.8**

<table>
<thead>
<tr>
<th>Country</th>
<th>Years</th>
<th>Value in US$ Millions</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>1995</td>
<td>2002</td>
</tr>
<tr>
<td>Indonesia</td>
<td>4756</td>
<td>2644</td>
</tr>
<tr>
<td>Malaysia</td>
<td>12657</td>
<td>13099</td>
</tr>
<tr>
<td>Singapore</td>
<td>18725</td>
<td>16605</td>
</tr>
<tr>
<td>Thailand</td>
<td>8507</td>
<td>6197</td>
</tr>
<tr>
<td>Myanmar</td>
<td>-</td>
<td>-</td>
</tr>
</tbody>
</table>


Apart from having good economic relations, United States has also provided economic aid to the region. During the 2001-2007, total US economic aid to the
region reached $3.03 billion, most of which are concentrated in Indonesia (38.94%),
the Philippines (28.16%), Cambodia (12.49%), and Vietnam (8.32%). Six countries
(Burma, East Timor, Laos, Malaysia, Singapore, and Thailand) accounted for 12.08%
of the total. As a group, Southeast Asian countries posted an average of $432.72
billion in US economic aid a year.\textsuperscript{141}

In view of fast privatization of Southeast Asian economies after 1980s, the
region became a major destination for American investments. From 1990 to 1997,
these investments increased from $11.8 billion to $37.5 billion and has reached US$90 billion in 2007. Among the select states, Singapore received 27,559 million US
dollars as direct investments during 1995-2005, followed by Malaysia, 12,228,
Thailand 3,937, Indonesia 675, and Myanmar 406 million US dollars. Investments
have mainly been concentrated in energy, manufacturing and service sectors. Year
wise inflow of investments (1995 to 2005) in the select countries is shown below.

\begin{table}
\centering
\caption{FDI Inflow into Select Countries from USA (1995-2004)}
\begin{tabular}{|l|c|c|c|c|c|}
\hline
\hline
Indonesia & & 550 & -354 & -52 & -208 & -1,982 \\
Malaysia & & 1,336 & 819 & 634 & 638 & 16,840 \\
Singapore & & 2,002 & -113 & 990 & 4,495 & 25,740 \\
Myanmar & & 30 & 91 & - & - & 406 \\
\hline
\end{tabular}
\end{table}

\footnotesize{Source: ASEAN Statistical Book 2006, ASEAN Secretariat, Jakarta, 2006, p. 66.}

About 300 U.S. multi nationals have invested and set up their operations in
Indonesia and 80\% of them are in the oil sector alone -- rest of them are in
manufacturing and services sectors.\textsuperscript{142} There are more than 1,400 such companies
operating in Malaysia.\textsuperscript{143} Their strong presence has resulted in the establishment of
business organizations such as the Malaysia-US Business Council in Kuala Lumpur;
the US-Malaysia Business Council based in Washington and the American-Malaysian
Chamber of Commerce (AMCHAM) in Kuala Lumpur. To develop its IT sector,
Malaysia established a Multimedia Super Corridor (MSC) and about 41 companies
from USA like Oracle, Intel, Free scale and Lucent Technologies have been made part
of MSC.\textsuperscript{144}
Being a regional economic hub many American companies regard Singapore as an important and lucrative business destination. Some 1,300 U.S. corporations operate in Singapore, with total investments of $61.4 billion. Most of them are engaged in electronics manufacturing, oil refining and storage, and chemical production. Similarly, Thailand is a favoured trade destination for US companies. The two countries signed the Treaty of Amity and Economic Relations in 1966 to facilitate economic access to U.S. and Thai companies in each other’s market. A large number of US companies are now operating in Thailand such as Boeing, General Motors Corporation and IBM Corporation. U.S. investments in Thailand mainly concentrate in the petroleum and chemicals, finance, consumer products, and automobile production.

The focus of US policy in Southeast Asia has thus been on containment of communism during the Cold War era which has shifted to promotion of its economic interests in the post Cold War period. After the 9/11 incident United States has enhanced cooperation in the war against terrorism. The rising economic and military might of China in Southeast Asia is also an added factor. The strategic shift in having access to the region has given a new direction to the US policy. Priority now is on development of bilateral ties than the multilateral relationships. However, the ‘1997 financial crisis’ disappointed many of the affected countries in this region who feel that US did not make desired efforts to bail them out of the crises and left them to rely on IMF. The US is also often accused of overlooking their sensitive concerns and conducting business or establishing relationship on its own terms. Undue emphasis on human rights issues has often irked these countries. The US policies on the Palestinian conflict, the Iraq war and globalization have served as irritants for the Muslim nations of this region. The US interests among the select states however are looked after well by Singapore and Thailand. Its policy of economic sanctions against Myanmar failed as other regional countries supported Myanmar.

**Australia**

Geographically proximate to Southeast Asia, Australia has major stakes in its peace, prosperity and stability. Essentially a Western ally, the country was part of US led alliance during the Korean War, a member of SEATO and sided with US during the Vietnam War. In 1971 Australia signed the Five Power Defense Arrangement which included Malaysia and Singapore. This arrangement is unique as it is the...
only multilateral regional security mechanism in the Asia Pacific which has an operational dimension and fills the strategic vacuum caused due to British withdrawal from the region in 1960s. Australia’s strategic role in the region was more of an offshoot of post-War Western alliance system rather than its cohesive policy towards the region. After 1990s it has successfully expanded the strategic influence and has given more substance to its defense relations with the regional countries. Australian defense forces have conducted regular bilateral and multilateral exercises in the region. It has trained their defense personnel under Defence Cooperation Programme.

In 1992, the ships from Royal Australian Navy (RAN) made 98 regular visits to the ports of Southeast Asian countries and participated in naval exercises. Its navy conducts exercises with Royal Thai Navy every year to provide antish submarine and anti-surface warfare training. Under the Five Power Defence Arrangement, another annual exercise - Starfish - is conducted as a practice in limited combined maritime operations. In order to achieve regional defense cooperation they exchange relevant information. Australia does not have any military bases in the countries of the region except Butterworth (Malaysia).

Of late, anti-terrorism has added another dimension to Australia’s relations with Southeast Asia. As Indonesia, Philippines, Malaysia, Thailand and other smaller countries in the region face terrorist threats, Australia has offered cooperation to fight this menace. After the Bali bombing of 12 October 2002, (in which many Australian tourists lost their lives) Australia provided technical assistance to the Indonesian investigations. Australia has shared counter-terrorism expertise with Vietnam, exchanged Special Forces and has signed Memorandums of Understanding with several Southeast Asian countries to combat international terrorism.

Among the select states, Australia did not have cordial relations with Indonesia throughout the Cold War. The problem of East Timor always remained a bone of contention between the two. After the independence of East Timor, defence cooperation has accelerated. Defence agreement of 1995 has paved the way for regular defense consultations in case of security threat to either country. Australian navy regularly makes port calls, conducts joint exercises and its armed forces provide military training to Indonesian defence officers. In December 1996, Australia and Indonesia signed a 10-year "future directions" agreement, to further increase training and exercises, logistics cooperation, intelligence exchanges, defence procurement and
defence science and technology collaboration. Defence Agreement of 1995 was revived in 2006. Australia has also extended assistance to Indonesia to combat terrorism. In February 2004, Australia and Indonesia co-hosted a Regional Ministerial Meeting on Counter-Terrorism.

Australia has longstanding defence relationship with Malaysia. Australian and Malaysian troops together during the Malayan campaign of World War II, and as part of a Commonwealth force to defeat the Malayan Communist insurgency during the Malayan Emergency (1950-1960). They also fought together during the period of Malaysia-Indonesia confrontation during 1963 to 66. Malaysia heavily depended on United Kingdom for its defense. After the British withdrawal from the region, Australia made a commitment to defend Malaysia in case of outside attack under FPDA.

In 1992 Malaysia and Australia signed a Joint Defence Program (MAJDP) to enhance bilateral defence relationship and exchange officers for attachments. Their Defense Ministers and chiefs of defense forces meet at regular intervals. The Army exercise Southern Tiger, is held three times a year and bilateral Navy exercises (Mastex) is conducted annually.

Australia has maintained close defence relations with Singapore and has vowed to defend Singapore under FPDA. Its Armed Forces have ready access to Australian training facilities and both participate in combined defense exercises. After the 9/11 both have collaborated against the rising danger of terrorism by sharing intelligence inputs.

Australia developed close defence ties with Thailand during 1940s to fight against communist insurgencies in the region. In August 1945 an Australian Defence Section was established at the Australian Legation in Bangkok. In 1954 the South East Asia Treaty Organization (SEATO) Headquarters were established in Bangkok and an Australian contingent was stationed there. In 1958, Australia helped to establish a Vehicle Rebuild Workshop and a Military Technical Training School in Bangkok. From 1962 to 1968, a Royal Australian Air Force (RAAF) Sabre Jet fighter squadron was based at the Ubon Air Base in Northeastern Thailand. In 1972 a formal Defence Cooperation was initiated with emphasis on individual training and combined maritime, ground and air exercises. Australia has also trained of Thai military personnel as part of defence cooperation.
Economic Presence

Australia’s commercial relations with the countries of Southeast Asia were limited till mid 1960s and its economy was by and large bound with the Developed economies. After it assumed new regional responsibilities (post British withdrawal from the region), it expanded economic relations with these countries. Australia was made a Dialogue Partner of ASEAN in 1974 which provided an opportunity to facilitate trade and investment; signed a MoU with ASEAN for Trade Cooperation in 1976; and an Australia-ASEAN Business Council was created. Australia provided multilateral economic assistance to ASEAN countries under Australia-ASEAN Economic Cooperation Programme (AAECP) signed in 1974. It organized trade fairs in these countries during 1978-1980, created Australian-ASEAN Industrial and Special Working Group on Trade in 1978 and formed a Joint Planning Committee (JPC) in April 1989. The economic relations initiated under AAECP played a crucial role to channelise Australian assistance for many projects in the countries of Southeast Asia. These initiatives paved the way for Australia-ASEAN Development Cooperation Programme (AADCP) in 2002. As a consequence of the measures taken by Australia and countries of the region, volume of trade increased from US$ 325 million in 1974 to US$ 1.732 billion in 1978. Economic liberalization in recent years has given big boost to trade and Australian exports touched US$ 11 billion and imports US$19 billion in 2005.

Among the select states, Australia’s trade with Indonesia gradually expanded. In 2004, Australian exports to Indonesia stood at A$ 4,132 million which increased by 3.2 per cent per annum to reach 5,248 million in 2006. Similarly, imports from Indonesia stood at A$ 4,667 million in 2004, which increased to 5109 million in 2006. Trade between the two countries has further jumped to A$10.2 billion in 2007, making Indonesia its 13th largest trading partner. Major Australian exports to Indonesia included wheat, cotton, aluminum, live animals and bovine meat, and passenger motor vehicles. Major imports included crude petroleum, machinery and transport equipment, non-monetary gold, paper manufactures and paper. To expand cooperation in trade, investment and technical assistance, the Australia-Indonesia Business Cooperation Committee was formed in 1971, a Chamber of Commerce was formed in 1978 and the Indonesia Australia Business Council (IABC) was created by the private sector business interests in 1989. An Australia Indonesia Development Area (AIDA) was launched in April 1997 to facilitate closer bilateral economic relations. Both the countries have also strengthened commercial ties through a Trade...
and Investment Framework (TIF) signed in 2005. As a result, Australia invested A$ 2,916 million in 2001 and 3.1 billion in 2006 in Indonesia, mainly in sectors like mining, construction, finance, food and beverage and transport etc. At present more than 400 Australian companies are carrying their business in Indonesia. Australia had close trade relations with Malaysia since 1955. Australia established Chamber of Commerce in Malaysia in 1970 and a Joint Trade Committee was established in 1986 to discuss investment-related issues and initiate cooperation programmes between the two countries. Malaysia is Australia’s 11th largest trading partner which exported goods worth A$ 3,548 and 4,035 million in 2004 and 2006 respectively. Imports from Malaysia counted for A$ 6,292 million in 2001 reaching 7,572 million in 2006. In 2006-07 trade between the two stood at A$11.9 billion. Australia exports copper, aluminum, coal, ferrous waste milk & cream medicaments zinc refined petroleum live animals, wool and imports crude petroleum, computers, telecom equipments, gold, furniture, refined petroleum, computer parts, radio receivers from Malaysia. Australian companies invested A$ 370 million in 2001 and 371 million in 2005, which has accumulated to reach A$5.8 billion, mainly in sectors like mining, oil, services, manufacture, transport and education.

Singapore is the third largest market for Australian goods in Asia (after Japan and South Korea). They have signed Singapore-Australia Free Trade Agreement (SAFTA). Australian exports to Singapore stood at A$ 5,514 million in 2004 and 7,411 million in 2006. Imports counted for A$ 9,322 million in 2004 and 14,898 million in 2006. Trade between the two jumped to about A$ 22 billion in 2006. Exports from Australia include crude and refined petroleum, gold, aluminium, milk & cream, meat, aluminum, sugars, molasses & honey, alcoholic beverages and imports include telecommunication equipment, computers, medicaments, musical instruments, petroleum products, computer parts, integrated circuits, taps, cocks, valves. About 1300 companies from Australia are presently carrying their business in Singapore and have invested about 3 billion dollars there.

In Thailand, Australia formed Chamber of Commerce in 1980 to expand its economic relations. The Thailand-Australia Free Trade Agreement became operational on 1 January 2005. Exports to Thailand stood at A$ 3,674 million in 2004 and 3,674 million in 2006. Imports stood at 3,674 million and 7,497 million in 2004 and 2006 respectively. Main exports from Australia include aluminium, gold, crude petroleum, copper, medicaments, cotton, coal, milk & cream, ferrous waste, uncoated flat steel and imports comprise vehicles, passenger vehicles, heating &
cooling equipments, gold, crude petroleum, prepared seafood, telecom equipments, computers, televisions, vehicle parts household equipments. There are hundreds of Australian companies keeping their regional offices in Bangkok and have set up operations and factories in the industrial estates. In addition there are many Australian expats who have set up small businesses or who work for local Thai companies and multinational companies in Bangkok. Australian investment in Thailand totalled $1,094 million in 2006. Australia hardly has its economic presence in Myanmar till now. Australia trade with select countries is shown below:

Table -5.10
Australia’s Export with Select Countries (1995-2006)

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Indonesia</td>
<td></td>
<td>915</td>
<td>1924</td>
<td>1792</td>
<td>1887</td>
<td>2228</td>
<td>3036</td>
</tr>
<tr>
<td>Malaysia</td>
<td></td>
<td>1122</td>
<td>2108</td>
<td>2614</td>
<td>4153</td>
<td>4766</td>
<td>4553</td>
</tr>
<tr>
<td>Singapore</td>
<td></td>
<td>2592</td>
<td>3373</td>
<td>4681</td>
<td>6612</td>
<td>8429</td>
<td>10186</td>
</tr>
<tr>
<td>Thailand</td>
<td></td>
<td>811</td>
<td>1678</td>
<td>2274</td>
<td>3208</td>
<td>3953</td>
<td>3337</td>
</tr>
<tr>
<td>Myanmar</td>
<td></td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
</tbody>
</table>


Table -5.11
Australia’s Import with Select Countries (1995-2006)

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Indonesia</td>
<td></td>
<td>2016</td>
<td>1587</td>
<td>1648</td>
<td>2215</td>
<td>2567</td>
<td>3619</td>
</tr>
<tr>
<td>Malaysia</td>
<td></td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>6,292</td>
<td>6,883</td>
<td>7,572</td>
</tr>
<tr>
<td>Singapore</td>
<td></td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>9,322</td>
<td>12,179</td>
<td>14,898</td>
</tr>
<tr>
<td>Thailand</td>
<td></td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>4,639</td>
<td>5,726</td>
<td>7,497</td>
</tr>
<tr>
<td>Myanmar</td>
<td></td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
</tbody>
</table>


Table - 5.12
FDI Inflow into Select Countries from Australia (1995-2004)

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Indonesia</td>
<td></td>
<td>68</td>
<td>70</td>
<td>29</td>
<td>89</td>
<td>-169</td>
</tr>
<tr>
<td>Malaysia</td>
<td></td>
<td>70</td>
<td>36</td>
<td>-15</td>
<td>25</td>
<td>392</td>
</tr>
<tr>
<td>Singapore</td>
<td></td>
<td>315</td>
<td>88</td>
<td>122</td>
<td>173</td>
<td>-615</td>
</tr>
<tr>
<td>Thailand</td>
<td></td>
<td>25</td>
<td>-13</td>
<td>12</td>
<td>87</td>
<td>345</td>
</tr>
<tr>
<td>Myanmar</td>
<td></td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>7</td>
</tr>
</tbody>
</table>

Implications for India

Geographical proximity, post Cold War geo-strategic compulsions, Chinese presence in Southeast Asia and growing economic potential of the region is largely responsible for shaping India’s Look East policy. To accelerate its economic development through reforms and economic liberalization this policy was the best option for India. China’s growing economic and military presence in Southeast Asia and India’s sense of lagging behind in strengthening economic ties with the countries of that region was also responsible for the launching of Look East policy. To create a new synergy with the countries of the region, India broke the old stereotype moulds and ideological barriers to strengthen the trade and commerce with Southeast Asia in general and Indonesia, Malaysia, Singapore, Thailand and Myanmar in particular.

India’s interests in the region include countering China’s rising power without openly designating it as adversary and continuing to benefit from economic interdependence on Beijing. India’s growing economy is increasingly getting interconnected globally and has interest in protecting freedom of navigation and maritime security along the Ocean Sea Lanes of Communication. Moreover, India and the select countries of the region share Indian Ocean which is intrinsically important security area of India. For this purpose and to prevent these countries from strategic dependence on China, Indian Navy maintains significant presence throughout northern Indian Ocean. In the ideology free changed global strategy India has roped in United States for joint patrolling the Straits of Malacca. It is also in India’s interest that the Straits remains in friendly hands. India has advanced its military ties and harped on Mekong-Ganga project which includes Myanmar and Thailand (along the Mekong River) to checkmate China.

India has strongly responded to the economic growth of the Asia Pacific region. The region has become of elevated importance in India’s strategic and foreign policy calculations. As a market the select countries of the region are attractive for Indian exporters because of their geographical proximity resulting in short delivery schedules and lower freight costs. India’s growing economic and military presence is considered beneficial and beneficent by the countries of the region. That’s why these countries, especially Singapore facilitated India’s elevation to Full Dialogue Partner and Summit Level of ASEAN. Another stream of thought in the region persists that these countries can secure the goal of freedom and achieve political space through a calculated policy of inviting India --along with China, Japan, USA and others-- to
operate freely in the region. This policy has a direct impact on India’s interests and choices in Indonesia, Malaysia, Singapore, Thailand and Myanmar.

China desires a peaceful and stable Southeast Asia where it can reap the economic benefits and earn profits from trade and commerce. It has some security goals which are viewed as disruptive by its neighbours. Its strategy for Southeast Asia has political, economic and soft powers dimensions. After becoming a dynamic growth engine, China gave away assertiveness to prefer politics of accommodation. Its trade with the select states has seen manifold increase and investments grown. China has created ASEAN+3 trade framework, signed Free Trade Agreement with Burma and Thailand. It has offered trade and investment Framework Agreement and Open Sky Agreements to these countries. China has developed security relationship with these countries individually and at ASEAN level. Through ARF it has tried to establish political prominence in the region. It has taken military to military initiatives by conducting joint military exercises with Thailand etc. It has already established military presence in some Islands in Myanmar. China’s military presence on Coco Island is a potential threat to the free movement of trade to and from Southeast Asia. Such initiatives have a direct bearing on India. China’s economic presence has accelerated in the region after 1990s and it can definitely challenge India’s efforts to integrate with the economies of the select states. China’s growing international clout can come in the way of India. Both the countries intend to be partners with the Southeast Asian countries in their economic development and China has an edge over India. In this scenario, India has an uphill task to fully realize the Look East policy.

Japan is the most powerful economy in East Asia. It has played an important role in building Southeast Asian economies and has been a major source of investments, capital and technology. Southeast Asia continues to be important for Japan because of economic and strategic reasons. Japanese companies in Singapore, Malaysia and Thailand cater to region as well as export to US, Europe and back to Japan. Its companies like Toyota, Matshushita or Sumitomo generate foreign investments and jobs in the host countries. Southeast Asia is also a growing market for Japan.

Strategically, Japanese interest lies in keeping the sea lanes of communication, through the Straits of Malacca form any trouble. Region is an important source of energy to Japan, supplying one-fifth of Japan’s mineral fuels, including one-third of its natural gas. It is in Japan’s interest that Southeast Asia remains stable to ensure
safe energy supplies. Japan and many countries of Southeast Asia believe that the stability of Asia Pacific region depend on maintaining balance of power. Japan alone or together with the countries of Southeast Asia cannot balance China so they solicit the US military presence in the region to balance China.

Japanese interest and choices in Southeast Asia have a different level of impact on India. India has to compete with highly professional and technologically advanced and affluent Japanese companies. Indian companies operating in Singapore, Malaysia or Indonesia have to develop competence to compete. Merely launching the Look East policy does not automatically endear India to the countries of the region but it has to prove its mettle in various fora to firmly establish its economic and strategic presence there.

Unites States’ interests in Southeast Asia have been changing with time. In its Cold War global strategy, US tried to engage them in military alliance system to contain communism. In early 1990s US shifted its focus from security to economic. It established Asia Pacific Economic Cooperation. However, its lukewarm response during 1997 financial crisis in Southeast Asia has forced many to believe that US interest in the region is waning. After 2001, United States has been more concentrated on fighting terrorism.

In Indonesia, US has economic interests due its mineral resources and natural wealth of forests and bio-diversity. US considered Indonesia a key player in its engagement with the Islamic world and fight against terrorism. It has engaged Indonesian armed forces to fight terrorism to preserve regional stability. In Myanmar, it operates through UN to stop systematic abuse of human rights. Unites States has differences with Malaysia on the issue of Iraq and Middle East. Still, Malaysia is its 11th largest trading partner and US is largest investor there. US certainly wants to protect its economic interests in Malaysia and has evolved military cooperation. It considers Malaysia as an important ally in global war on terrorism. United States has considerable interests in Singapore as both cooperate each other in regional and international fora like APEC, ASEAN, ARF and United Nations. Singapore ranks 12th in US trade and has signed Free Trade Agreement with it. US has military interests in Singapore and considers it as a strong partner to counter terrorism. Thailand is a long standing treaty ally of US. A large US investment in Thailand and expanding trade makes it important for US interests in the region.
United States has maintained its presence in the region ever since the end of the Second World War. The focus has shifted with time and has continued to maintain multi-faceted relations with them. India could not maintain relations with Indonesia, Malaysia, Singapore, Thailand and Myanmar, during the Cold War. Indian presence there of late has increased but is does not match with that of US. India does not have and probably can not have the same level of military presence in region. Cooperation in war on terrorism has also brought these countries close to US while India lags far behind in this regard. To reach the competitive level of its presence in the region, India needs to vigorously implement various contours of its Look East policy.

Australia has notable economic and strategic interests and presence in the region. The area is important market for Australian goods and vice-versa. About 11 per cent of total Australian exports reach this region. Australia gives them economic aid and financial assistance from time to time. It has Free Trade Agreements with Singapore and Malaysia. Australia’s interest lies in keeping this area free from terrorist activities and has signed MoUs with Indonesia, Malaysia and Thailand to help each other fight against terrorism. In July 2004, Australia signed a joint declaration with ASEAN to combat international terrorism. Australia’s economic and strategic interests are natural to this region and can not be considered detrimental to the Indian interests.

Above discussion gives prima facie the impression that India would not be able to compete with the outside powers in the region and hence chances of success of India’s Look East policy is bleak. Outside powers’ trade, investments, economic and military assistance to these countries suggest that India has to go a long way. Nonetheless, Look East policy has proved successful on account of positive response from the select countries of the region. These countries have improved bilateral relations with India and have supported its membership for various regional fora. Similarly, outside powers not only improved their bilateral economic and strategic relations with India, they have supported India’s Look East policy. There are some impediments like tariff regime, foreign direct investment policy and infrastructure facilities in Northeast which need to be taken care of. More initiatives are required as regard to BIMSTEC and Mekong Ganga project to expand trade and commerce. The success of Look East policy can be determined by the fact that India’s trade with the region which was negligible in 1990s has reached to US$ 40 billion in 2008.
Presence of outside powers in the region indicates that they are vigorously pursuing their economic and strategic interests in the region. It has strong implications for India and it needs brace up to increase the level of presence in the region.

**Other Outside Powers**

There are other outside powers that have been relevant to the region at different periods of times. They do not merit a detailed discussion but are briefly mentioned the Russia/USSR.

**Russia**

During the Cold War, Soviet goals in the Southeast Asia were strategic such as containment of China, introduction and maintenance of Soviet influence and reduction of US influence in the region. Soviet Union became partially successful in attaining these goals except in Vietnam with whom it could establish close political, economic and military ties. After the Cold War and Soviet disintegration, Russia faced economic collapse and political disorientation which generated considerable disappointment about it throughout the world. Its leadership remained busy to maintain American support and Western recognition of Russia’s great power status in the face of humiliations of the Soviet collapse. In the changed situation Russia disconnected itself from Southeast Asia. Though it became a founder member of ASEAN Regional Forum in 1993. It was excluded from the Asia-Pacific regional economic integration. It air, naval and SIGINT (Signal Intelligence) facility at Can Ranh Bay in Southern Vietnam lost its significance in new era and was downsized. Under the circumstances Russia does not have any elaborate policy towards Southeast Asia let alone the select states.

**United Kingdom**

British presence in Southeast Asia began when it acquired Penang (North West Malaysia) in 1786. Later it occupied Singapore in 1819, Malacca in 1824 and expanded into the Malaya Peninsula between 1874 to 1914. It subjugated Burma after three wars (in 1824-26, 1852 and 1885) in 1886. Brunei was made a protectorate in 1888. British rule and its economic interests were closely connected. Business generated revenue while government created conditions in which business might flourish. The region was scarcely affected by the First World War, but the decision in
1921 to establish a naval base in Singapore made likely target in any future international conflict. It was trampled and occupied by Japan in 1942 during the Second World War.

After the War, British interest in the region was to counter the threat of communism. After suppressing the communist insurrection during Malaysian emergency from 1942 to 1960, Britain granted independence to Malaysia and later, Singapore, Subah and Sarawak in 1957 and 1963 respectively within the framework of the Federation of Malaysia. British retreat from the region completed when mounting of defence costs forced the British to leave Singapore base in 1971. After its exit from Singapore, Britain has not maintained any notable presence in Southeast Asia.

Other Europeans also ventured into Southeast Asia at different times in history but they quit the scene early. Portugal, Spain, Netherlands, France were the Europeans powers who controlled territories in Southeast Asia from time to time. However, in the present day context these powers have no notable presence in this region.

References

1 Vandenbosch, Amry; Butwell, Richard: Southeast Asia Among the World Powers, University of Kentucky Press, Lexington, 1957, p. 5.
2 The spread of Islam to various parts of coastal India set the stage for its expansion in Southeast Asia. Coastal trade and shipping of India came to be controlled (from the 8th century onward) by Muslims from such regions as Gujarat and various parts of south India. These traders had links with Southeast Asia who carried Islamic culture into the islands of Southeast Asia. With the fall of Shrivijaya, Muslim trading centers were established and faith was preached to the coastal peoples. Muslim conquests in areas such as Gujarat and Bengal also played a role in opening the way for Muslim conversion. See, Sardesai, op. cit., p. 72-73; Hill, A. A: The Coming of Islam to North Sumatra, Journal of Southeast Asian History, Vol. IV, No. 1, March 1963, pp. 7-10; Cady, op. cit., pp. 166-171; Reid, Anthony: Islamization and Christianity in Southeast Asia: The Critical Phase, 1550-1650, in Reid, Anthony (ed.): Southeast Asia in the Early Modern Era: Trade, Power, and Belief, Cornell University Press, New York, 1993, pp. 151-79.
3 Christianity made its appearance in Southeast Asia by the early 16th century. Brought by the Portuguese, Spanish, and, later by, the French, it spread in the northern Philippines. By the 18th century, most of the Philippines, except the Muslim dominated South Philippines, became Roman Catholic. Southeast Asia, however - with the exception of Vietnam and parts

4 Sardesai, op. cit., p.83.


8 The Dutch arrived in Indonesia in 1596 through Dutch East India Company (V.O.C.) and from 1605 to 1799 established trade through monopolies. Later the Netherlands took it under its administrative authority. Spanish expeditions from 1525 to 1536 claimed rule over Philippines. In 1565, Spain conquered Cebu. In 1571, it established the city of Manila and by 1600 it had gained control of most of the archipelago. The French went to Vietnam in 1858 and seized Saigon in 1859. By 1867, the French annexed Cochin China (the south) and Cambodia. By 1893, they set up protectorates over Annam, Laos, and Tonkin and by 1907 all of which became the "French Indochina". For detail see, Barton, op. cit., p. 50.


10 The British annexed Burma between 1826 and 1888 in three Anglo-Burmese Wars ((1824-26, 1852, 1885). They maintained Burma as a province of British India. They set up Singapore in 1819, the Netherlands ceded Malacca to Britain in 1824, acquired Penang in 1786. Singapore and Malacca became the Straits Settlements from which Britain expanded into the Malay Peninsula from 1874 to 1914. See, Barton, op. cit., p. 50; Tarling, Nicholas: The Establishment of the Colonial Regimes, in Tarling, Nicholas (ed.): The Cambridge History of Southeast Asia: From c. 1800 to the 1930s, Vol. III, Cambridge University Press, 1999, pp 1-42.


12 There is a long-standing myth that Thailand was never colonized. Factually speaking, Siam was being squeezed from the west by the British and from the east by the French. It had to give up large chunks of land in exchange for keeping its territorial integrity. Only the
middle core of Siam was unoccupied. See, Barton, *op. cit.*, p. 58; Tarling: The Establishment of the Colonial Regimes, *op. cit.*, p. 42.


17 By the end of the 19th century, the colonial powers created bureaucratic controls according to the management requirements. Departments of finance, revenue, cultivation, jails, hospitals, agriculture, education etc, were created. This swelled the number of officials in Indonesia, Malaysia, Burma and other countries of Southeast Asia. These officials came from colonial states and created iron grips on the colonies. See, Elson, Robert E: *International Commerce, the State and Society: Economic and Social Change*, in Tarling Nicholas, *Vol. III*, *op. cit.*, pp. 149-150.

18 In Philippines, for example, Americans were liberal and sympathetic towards Filipinos. While under Spanish rule, education was completely controlled by the Catholic Church. United States separated education from religion and made it secular. Hundred of teachers from USA were sent to Philippines to establish new education system. Unlike other colonial powers, the Americans considered their rule over the Philippines as only temporary. Americans built a colonial government which could gain the cooperation of the people and at the same time educate them for self-government. See, Trocki, Carl A: *Political Structures in the Nineteenth and Early Twentieth Centuries*, in Tarling, *op. cit.*, p. 87; Ongkil: *United States Policy and Filipino Response to American Rule: 1898-1946*, in Kim, *op. cit.*, pp. 230-239.

19 During the 333 years of Spanish colonial rule in the Philippines, very few people were provided with employments or trained to enter the colonial administrative jobs. Trade was exclusively monopolized by Spanish traders. Education was very limited. Local leaders were completely under the Spanish control. Similarly in Indochina, the number of French officials were abnormally high. French rule in Vietnam was completely autocratic. The taxes were high, trade in salt and alcohol was monopolized, education was very limited. Locals could get only poorly paid menial jobs. See, Ongkin, *op. cit.*, pp. 222-229; Kahin, George McT:
Under the Five Year Plans (launched in 1962), Thailand implemented development and liberalization. The first two Five-Years Plans focused on infrastructure development, agricultural diversification, and import substituting industrialization to achieve high and stable economic growth. The Third Plan (1972–1976) turned to export oriented industrialization; The Fifth Plan (1982–1986) put an emphasis on liberalization, deregulation, and decentralization. The implementation of the plan was however obstructed by the oil crisis and global recession. Some liberalization was undertaken during the Seventh Plan (1992–1996). In the late 1980s, Thailand’s export-led industrialization helped it to become one of the fastest growing economies. See, Pupphavesa, Wisam: Globalization and Social Development in Thailand, Centre for ASEAN Studies Discussion Paper No. 39, Paper presented at the Conference “Globalisation and Social Development: Perspectives from Asia and Europe”, Antwerp, 15-16 April 2002, pp. 4-5.


In Malaysia, liberalization and privatization started since the mid-1980s. A number of PSUs, including monopolies in telecommunication, electricity generation, ports, air transport and...
highways were privatized. See, Naik, S. D: India and ASEAN: Towards Enhancing Economic Partnership, Business Line, 16 October, 2002.


33 Hwee, op. cit., p. 264.


38 Karki, op. cit., p. 4.

39 In the late 1970s and early 1980s, China greatly altered its foreign policy. In November 1978, Deng Xiaoping visited Thailand, Malaysia and Singapore and expressed Chinese interest to strengthen and develop friendly relations with ASEAN members and establish economic, trade, scientific and technological contacts. His proposal was widely understood and accepted by ASEAN members. The two sides also reached a consensus on a political solution to the Cambodia issue. See, Review of China-ASEAN Relations, Reported in, Beijing Review, 11 December, 2006.

40 Ibid.,


The People’s Liberation Army Navy consists of three major fleets, a naval aviation arm, and marine units. Fleets are strategically located to the north in Qingdao, to the east in Ningbo, and to the south in Zhanjiang—providing the Chinese Navy with direct access to the Yellow Sea, Taiwan Strait, and South China Sea respectively. Each fleet consists of a number of major and minor bases, a naval air arm. South Sea Fleet units also include the Navy’s Marine Force and its associated amphibious lift. Major surface combatant shipyards are located in Dalian, Shanghai, Guangzhou, and Hudong. The Wuhan shipyard is responsible for conventional submarine construction and nuclear-powered attack and ballistic-missile submarines are built at the Huladao shipyard. See, David, Shambaugh: China’s Military: Real


International Herald Tribune, 7 April 1995.

Zize, Qin: Indonesia Now a Strategic Partner, China Daily, 25 April, 2005.


62 China, Singapore to Boost Military Cooperation, Reported in, People’s Daily, April 14, 2006.


65 Multilateral dialogue and mechanisms for cooperation between China and ASEAN increased and after the end of Cold War. China and ASEAN convened the annual ASEAN ‘10+1’ leadership summit in 1997, in addition to the ARF in 1996, the ASEAN Foreign Ministers Meeting (ASEAN FMM) was also convened. Besides through ASEAN SOM and ASEAN FMM, China and ASEAN also conducted high-level political dialogue and exchange through the ASEAN ‘10+1’ and ASEAN ‘10+3’ leadership meetings. The practical purpose of the China–ASEAN Joint Cooperation Committee (ACJCC), created in 1997, was to strengthen policy cooperation and information sharing. This level of work coordination promoted concrete cooperation in various fields, particularly human resource development and personnel and cultural exchanges. The ACJCC is responsible for dialogue and cooperation mechanisms on four main levels, including ASEAN SOM, China–ASEAN Joint Committee on Economic and Trade Cooperation, China–ASEAN. See, Wong, Lai Foon: China–

China’s trade with Singapore was recorded from 34 to 38% and with Malaysia, from 16 to 18%. Thailand accounted for a relatively stable export share of just below 18% (US$2.8 billion in 2000 and US$9.2 billion in 2005). Despite higher absolute gains, however, Indonesia’s export share fell from 18% in 2000 to 13% (US$6.6 billion) in 2005. See, Wattanapruttipaisan, Thitapha: A Blossoming Relationship, The Bangkok Post, 5 October, 2006; Schlotthus, Jan: ASEAN-China Relations Take Shape, Taipei Times, 19 November, 2007.


Chinese companies operating in Singapore included Lenovo, China Aviation Oil Supply Corporation (COSCO), China Aviation Oil (Singapore) Pte Ltd, Tsinghua Tongfang, Beijing...

76 Thailand Aims to Lure Chinese Investment, Reported in, China Daily, 26 August, 2005.


80 Stephen, Frost: Chinese Outward Direct Investment in Southeast Asia, How Much and What are the Regional Implications?, Working Paper Series No. 67, Southeast Asia Research Centre, City University of Hong Kong, July 2004, p. 11.


83 US military presence began with the entry of its Occupational Forces in Japan in the late 1940s, which was consolidated into the US-Japan Security Treaty in 1951. Japan hosted some 47,000 US troops. Among them are: the 5th US Air Force with its 18th Wing, 35th Fighter Wing and 374th Airlift Wing; the US Navy 7th Fleet, including the USS Kitty Hawk Carrier Battle Group and the USS Belleau Wood Amphibious Ready Group; III Marine Expeditionary Force; 9th Theatre Area Army Command; and 1st USA Special Forces Battalion. Presently, it hosts over 90 US military bases and facilities housing over 30,000 US troops. See, Docena, Herbert: Aussie Posses Gunning for Gloria's Foes, Asia Times Online, 31 June, 2007.


It was only after US defeat in Vietnam and its subsequent withdrawal from the area that Japan and ASEAN began to search for a new framework for regional cooperation. The enunciation of the Fukuda Doctrine (named after Japanese Prime Minister Takeo Fukuda) in 1977, was first Japanese initiative to normalize relations with Southeast Asia. The doctrine, stated three commitments to Southeast Asia: (1) Japan rejects the role of a military power; (2) Japan will do its best to consolidate the relationship of mutual confidence and trust based on “heart-to-heart” understanding; and (3) Japan will be an equal partner of ASEAN while aiming at fostering mutual understanding with the nations of Indochina. The Fukuda Doctrine was the first attempt by the Japanese to adopt a more independent policy towards the region. Before this doctrine, Japan’s foreign policy was Western-oriented and underpinned by a strong US-Japan relationship. See, Maswood, S. Javed: Japanese Foreign Policy and Regionalism, in Maswood, S. Javed (ed.): Japan and East Asian Regionalism, Routledge, London, 2001, pp. 6-25; Sueo Sudo, The Fukuda Doctrine and ASEAN: New Dimensions in Japanese Foreign Policy, Institute of Southeast Asian Studies, Singapore, 1992.

There are two general explanations for the slow development of Japan-Southeast Asia relations. The first stresses the constraining influence of Japanese domestic factors on bilateral relations, such as its historical problems, long period of economic stagnation, low public morale, political upheaval, and a dearth of innovative thinking by the political leadership, evident in its resolute protection of domestic markets. The second view asserts that Japan’s post-Cold War foreign policy underwent changes, but was unable to shed certain of its traditional principles and psychological constraints. Japan’s focus on relations with the United States, its clear intent to do what’s best for Japan and lack of a sense of East Asian (including Southeast Asian) identity all constituted major obstacles to Japan’s relationship with the region. See, Pempel, T J: Japanese Domestic Politics and Asian regionalism’, in Maswood, op. cit., pp. 44-45.

Tokyo's establishment of the Asian Development Bank (ADB) in 1966 aided its penetration into the economic affairs of Southeast Asia. ADB allowed Japan to establish a foothold in Southeast Asia's economic activities. By 1970s, over a quarter of ASEAN's total annual trade was with Japan alone, and in turn, Japan's investment in Southeast Asia surpassed that of the U.S. Southeast Asian countries accepted Japan as an economic model and a crucial partner in their economic development. They imported Japanese management skills and talent to boost domestic economic growth. Policies such as Malaysia's "Look East," Laos's "Learn from Japan," and Singapore's "Learn from Japan" campaign reflected ASEAN's perception that Japan had much to impart to those seeking to follow its path of achievement. See, Sudo, Sueo: Nanshin, Superdomino and the Fukuda Doctrine: Stages in Japan-Southeast Asian Relations, Journal of Northeast Asian Studies, Vol. 5, No. 3, Fall 1986, p. 38; Um, Khatharya: Southeast Asia and Japan: Political, Economic, and Security Implications for the 1990s, in Kendall, Harry H; Joewono, Clara (eds.): Japan, ASEAN, and the United States, Institute of East Asian Studies, University of California, Berkeley, 1991, p. 188.


Akrasanee, Narongchai; Prasert, Apichart: The Evolution of ASEAN-Japan Economic Cooperation, in ASEAN-Japan Cooperation: A Foundation for East Asian Community, Japan Center for International Exchange, Tokyo, 2003, p. 70.


Japan took an active role in assisting ASEAN countries to deal with the financial crisis. In July 1997, Japan’s Ministry of Finance promptly proposed an Asian Monetary Fund—which was aborted owing to U.S. objection—in an attempt to contain the crisis. At the ASEAN + 3 (China, Japan, and South Korea) summit in December 1997, Japan announced a Special Yen Loan Facility in the amount of ¥600 billion for the development of infrastructure as a step toward economic stimulation, employment promotion, and economic reforms in Asian countries. In October 1998, Japan announced the New Miyazawa Initiative, which included an economic recovery package for ASEAN countries totaling US$30 billion. See, Ibid., pp. 64-69.

ASEAN-Japan Dialogue Relations, op. cit.,


Southeast Asia has become an important arena for international terrorism, notably Al Qaeda. Al Qaeda is a highly decentralized and elusive transnational terrorist network which is operating in the region. Jemaah Islamiah (JI) was founded in the mid-1990s and has the grand aim of establishing an independent Islamic state encompassing Indonesia, Malaysia and the southern islands of the Philippines. JI is thought to be associated with other groups including the Kumpulan Mujahideen Malaysia (KMM). Laskar Jihad (LJ) was established early 1998, operating in Indonesia. The Moro Islamic Liberation Front (MILF) separated from the Moro National Liberation Front (MNLF) which had led a struggle for autonomy for Muslim areas of the southern Philippines from 1972. See, Abuza, Zachary: Militant Islam in Southeast Asia: Crucible of Terror, Lynne Rienner, Boulder Colorado, 2001, pp. 121-188; Kumar, Ramakrishna and Tan, See Seng: After Bali: The Threat of Terrorism in Southeast Asia, University Institute of Defense and Strategic Studies, Singapore, 2003; Peter, Chalk: Separatism and Southeast Asia: The Islamic Factor in Southern Thailand, Mindanao, and Aceh, Studies in Conflict and Terrorism, Vol. 24, Number 4, July 2001, pp. 241-269; Manyin, Mark (et. al.): Terrorism in Southeast Asia, CRS Report for Congress, No. RL31672, Washington, D.C., 13 August, 2004, pp. 1-50; Desker, Barry: Islam in Southeast Asia: The Challenge of Radical Interpretations, Cambridge Review of International Affairs, Vol. 16, No. 3, October 2003, pp. 415-428.


Grare, Frederic, op. cit., p. 122.

Following an agreement in 1990, the USA was permitted access to naval facilities in the base at Sembawang in Singapore, as well as the use of Paya Lebar airbase for short-term rotations by the US Air Force. A logistics facility of about 200 US navy personnel under Commander, Logistics Group, Western Pacific (COMLOG WESTPAC) was then established in Singapore in 1992 by the US Navy to plan the resupply and maintenance of US naval vessels belonging to the Seventh Fleet deployed in the Indian and Pacific Oceans. Singapore became a transit point for US troops, ships and aircraft during the Gulf Wars. In 2000, Singapore opened a new naval base at Changi with facilities that could accommodate US aircraft carriers. See, Tan, Andrew T. H: A Dictionary of Politics and Economics of Southeast Asia, Taylor & Francis, London, 2004, pp. 260–261.

These include minesweeper ships, landing ships, helicopter, air to air missile, trainer aircraft, ship to ship missile, fighter ground aircraft, air to ship missile, helicopter, amphibious assault landing ship etc. See, Wezeman, op. cit., pp. 122-127.

Following the events of 9/11, the Singapore government came out strongly to support US in its declaration of war against international terrorism. As Singapore’s Ambassador to the UN
stated, “Americans are not alone in this fight against terrorism. Singapore stands with the United States and the international community in this struggle. This is a fight between people who stand for civilized society, and those out to destroy it.” He further added that “the opportunity before us today is to channel the global outrage following the events of 11 September into a strong global commitment and action to eradicate the scourge of terrorism …divisions among us will hand victory to the terrorists”. See, Statement by Ambassador Kishore Mahbubani on 1 Oct. 2001 to the UN General Assembly, Accessed at, www.un.org.terrorism/statements/SingaporeE.htm.


Under the IMET programme, Malaysian military personnel received technical and professional training in America. By 2002, about 1,500 Malaysian defence personnel had received training in America. See, Ibid., p. 379.

Kuppuswamy, op. cit., p. 6.

These weapons include AIA missile, transport aircraft, landing ship, helicopter, recce and transport aircraft, anti submarine missiles. Extracted from, Wezema, op. cit., pp. 115-120.


For more than a decade, Congress restricted the provision of military assistance to Indonesia due to concern about serious human rights violations by the Indonesian military (TNI), and massacre of hundreds of people participating in a pro-independence rally in Dili (East Timor), in November 1991. US Congress first took the initiative by enacting legislation prohibiting International Military Education and Training (IMET) and arms sales to Indonesia in October 1992, under the “Leahy Amendment”. In September 1999, President Clinton suspended all military, economic, and financial aid to Indonesia. The aid cutoff was imposed in response to a wave of mass killings and destruction of property perpetrated by the Indonesian army and locally-recruited paramilitary in revenge for an overwhelming vote for independence by East Timorese in an August 30, 1999 U.N.-supervised plebiscite. See, Lobe, Jim: U.S. Suspends Military Ties with Indonesia, Asia Times Online, 11 September, 1999.

Africa, op. cit., p. 3.

The United States and Indonesia presently cooperate to counter terrorism in a number of areas with assistance going to the police and security officials, prosecutors, legislators, immigration officials, banking regulators. US- Indonesian counter terror capacity building programs
include US$ 12 million for the establishment of a national police counterterrorism unit; $4.9 million for counterterrorism training for police and security officials during 2001-03; Financial intelligence unit training to strengthen anti-money laundering, train counter terror intelligence analysts, and an analyst exchange program with the Treasury Department; Training and assistance to establish a border security system as part of the Terrorist Interdiction Program; and Regional counterterrorism fellowships to provide training on counterterrorism and related issues to the Indonesian military. See, Manyin, _op. cit._, p. 15.


130 USA military equipments supplied to Indonesia include helicopters, light transport plane, transport aircraft, frigates naval guns, air to air missiles, submarines, trainer aircrafts, towed guns, etc. The U.S. and Indonesian navies now regularly conduct joint exercises in strategic Southeast Asian waters. See, Wezeman, _op. cit._, pp. 104-110.

131 It included there was an US$ 18 million programme of improvements and installation of a military communications network between Bangkok and the Northeast, Construction of contingency–oriented facilities at the Sattahip naval base on the eastern coast of the Gulf of Thailand. These projects were designed to strengthen Thailand’s internal mobility in the face of possible threats from China or from North Vietnam. See, Muscat, Robert J: Thailand and the United States: Development, Security and Foreign Aid, Columbia University Press, New York, 1990, p. 21.


133 Thailand was the largest recipient of USA military weapons which included counter insurgency aircrafts, main battle tanks, helicopters, transport aircrafts, anti tank missiles, towed guns, surveillance radars, light transport planes, air to air missiles, light transport planes etc. See, Wezeman, _op. cit._, pp. 127-138.


138 Kuppuswamy, _op. cit._, p. 2.
The companies like Starbucks (in coffee trade) and clothes manufacturers like Gap, Nike, Esprit, H&M, Old Navy, chocolate maker Mars and others have operations in Indonesia. Many other companies are operating in Indonesia. These companies included Conoco Oil, Freeport Mc Moran, Exxon Mobil Oil Corp and Unocal (oil), Dong Joe shoe, Reebok, and Levi Strauss (footwear) Nynex, Bell Atlantic, Motorola and GM Hughes Electronics, Fluor Daniel Inc, Mattel, General Motors Corporation, Ford Motor Company (car manufacturers).


Australia has not made any efforts to create a cohesive policy towards this region until it was set forth by Defence Minister Kim Beazley in The Defence of Australia in 1987. Southeast Asia, including Indochina, lies in Australia's area of strategic interest, and Australian defense policy aims now to give more substance to defense relations with regional countries. See, Ibid., pp. 523-24; Benvenuti, Andrea: Australian Reactions to Britain's Declining Presence in Southeast Asia, 1955-63, The Journal of Imperial and Commonwealth History, Vol. 34, Issue 3, September 2006, pages 407-429.


153 In 1994, more than 300 Indonesian army personnel visited Australia for exercises, intelligence exchanges, courses and other training purposes in comparison to just 17 in 1991. In 1997 a group of 16 Australian Army officers conducted training for the Indonesian Army. The group conducted a seven-week “Recruit Instructor Development Training” program from July 15 to August 31, 1997 for the Indonesian Army at the Physical Training Center in Cimahi, West Java. To prepare for the training, Indonesian soldiers took part in an instructor's course and observed Australian recruit instruction techniques. Between 1991 and 1997, the number of officers trained in Australia leapt from five to more than 400. Joint military exercises --Ausina Passexs-- held four times a year and are designed to develop mutual cooperation in maritime warfare training. Exercise New Horizon 7, was the largest combined naval exercise-it included eight Royal Australian Naval ships, RAAF aircraft, six Indonesian Navy vessels and Indonesian Nomad Aircraft. For detail see, Walter Patrick: Indonesian Forces Expand ADF Links, The Australian, 22 March 1994.

154 By this agreement both countries intensified defence cooperation which included regular consultation on issues of common concern; expansion of military training and education, exercises, study visits, cooperation in military research and development activities. See, Karmiol, Robert: Canberra, Jakarta Revive Security Cooperation deal, Janes Defence Weekly, Vol. 43, Issue 47, 22 November 2006, p-12

155 In 2002, the two countries negotiated a MOU on Terrorism, in which they pledged to cooperate on information and intelligence sharing, law enforcement, money laundering and


159 Under the agreement, on 11 February 1971, Integrated Air Defence System (IADS) was formed at Butterworth. On 1 September 1971, IADS assumed operational responsibility for the air defence of Malaysia including Singapore. Some 7,100 men, including 3,400 Australians were at Butterworth to support the defence of Malaysia and Singapore. Although the number of Australian defence personnel in Malaysia has reduced during subsequent years to its current strength of 156 personnel, Australia’s commitment to regional security under the FPDA is still evident in its strong support of IADS, its permanent P3-C maritime patrol aircraft detachment and the Australian Army Rifle Company at Butterworth. See, Nathan, K. S: Australia and South-East Asia: From Cooperation to Constructive Engagement, The Round Table, Vol. 80, No. 319, July 1991, p. 338.

160 Significant numbers of MAF personnel undertake military training courses in Australia at institutions such as Centre for Defence and Strategic Studies, Australian Command and Staff College, Australian Defence Force Academy and the Duntroon Royal Military College while Australian officers attend the Maktab Tursus Angkatan Tentera. Australia and Malaysia also conduct frequent bilateral exercises to improve interoperability, promote understanding of each other’s unique operational environments and to strengthen the military skills and capabilities of both forces. See, Annual Report 2004-2005, Department of Defence, Government of Australia, Canberra, 2005. See at, http://www.defence.gov/budget/04 05/dar/04_07_outcome5_12.htm.

Australia has allowed Singapore to maintain basing and training facilities in Australia, including use of airbases for training, and land facilities for army exercises. See, Tan, *op. cit.*, p. 202.


ASEAN and Australia: 30 Years of Development Cooperation, *op. cit.*, p. 1.


The 1st Phase of the AAECP, covering the period 1974-1989, assisted joint ASEAN-Australian projects involved in research and development of the food and agricultural sectors and the rapid economic growth experienced by most ASEAN countries. The Second Phase of the AAECP Phase II (1989-1994) was spent financing projects involving microelectronics, biotechnology, non-conventional energy research and marine science. The AAECP Phase III (1994-2004), began with a total budget of about $38 million, was to facilitate broad-based economic cooperation and integration between ASEAN and Australia. It consisted of a program of six regional projects, with budgets of $4 to $6 million, and a flexible, small activities scheme that aimed to build links between the two partners. Reflecting changes in ASEAN membership, the program was extended in 1995 from its original six members to include Vietnam, the first ‘new’ member to join ASEAN. See, ASEAN and Australia: 30 Years of Development Cooperation, *op. cit.*, p. 12.


Australia’s Trade with East Asia, Department of Foreign Affairs and Trade, Government of Australia, Canberra, 2006, p. 11.


Australia’s Trade With East Asia, *op. cit.*, p.11.


Leading Australian companies operating in Malaysia include Spring Hill Publishing, Edupuzzles, ITEI International, IBA Health. Australian Companies Make Inroads Into

177 Australia’s Trade With East Asia, op. cit., p.-11.
178 Ibid., p. 44.
180 Australia’s Trade With East Asia, op. cit., p. 11.
181 Ibid., p. 48.