Chapter V

Rising Concerns Over Arms Acquisitions

ASEAN states did not consider defence cooperation as a precondition to regional order. On the contrary such cooperation within the ASEAN framework was rejected for fear that it would provoke greater rivalry with Indochina and undermine ASEAN’s quest for regional order.\(^1\) However, after the demise of ASEAN Indochinese rivalry, there were renewed calls for greater ASEAN defence cooperation. Another reason for this was the major increase in defence expenditure and force modernisation efforts by the ASEAN states. Outdated inventories, restructuring of forces from an internal emergency focus to air and maritime surveillance, their increasing ability to afford modern inventories as well as preparing for possible outbreak of hostility were all contributing factors. This resulted in a debate over whether or not there was an arms race in the region.

During the early 1990s, the ASEAN countries’ defence budgets began to rise sharply. This acceleration was, in part, a reaction to gaps in procurement schedules created by the defence cuts of the 1980s. Moreover, it proved relatively easy to finance because of the exceptionally high rates of economic growth the region enjoyed during this period — especially in Singapore, Malaysia and Thailand.\(^2\)

Southeast Asia’s anxieties currently centre on China’s intentions in the South China Sea; its relationship with its estranged island of Taiwan and the pace of its military modernization.\(^3\) Another motivating factor behind the military build-up in the region is

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1 Amitava Acharya, “A New Regional Order in Southeast Asia: ASEAN in the Post-Cold War Era,” Adelphi Papers, no.279, August 1993, p.64
the 1980 Law of the Sea Treaty which gave countries along the coast, 200 miles of Exclusive Economic Zones (EEZ) to protect.

Beijing uses the Spratlys claims to justify its naval modernization. China's military budget increased more than 140 percent since 1989. The Chinese shift to a high-tech war capability and the geographic expansion of its military power alarmed its neighbours. China's aim is to project its sea, air and missile power into the South China Sea and the Western Pacific and at the same time have a large open ocean fleet — a blue water navy. China has without doubt entered a technological arms race with the US. It is mainly engaged in developing power projection capability. Its engagement with developing the Inter Continental Ballistic Missile (ICBM) and attempts to acquire the latest Russian ballistic missile technology are known facts.

These are the reasons for the ASEAN countries' refusal to commit themselves prematurely to the US proposal of “prepositioning" US military supplies in advance of any possible need. China's encroachments on the South China Sea has been an important factor in accelerating security cooperation also amongst the ASEAN states and between them and the US. Occasionally, ASEAN countries have expressed concern over China's increasing modernization efforts. Malaysia's military intelligence chief announced that "China's intention was to obtain all the Spratlys Islands." In 1992 Malaysia's former armed forces chief, General Hashim Mohammad Ali expressed distress with China's increased military spending and territorial ambitions in the South China Sea. Former Indonesian Foreign Minister Ruslan Abdulgani warned of "China's expansionist tendency, mainly southward" and noted that "Beijing has questioned our

4 quoted in Etel Solingen, "ASEAN Quo Vadis? Domestic Coalitions and Regional Cooperation," Contemporary South East Asia, vol. 21, no. 1, April 1999, p. 44

125
sovereignty over the natural gas-rich Natuna islands......included in China’s territorial maps.” 5 Vietnam, Philippines as well as Singapore expressed concern about China’s intentions and military expeditions on different occasions and consequently followed up with an increase in defence spending in their respective budgets over the last couple of years.

The potential for conflict with China over the Spratlys is no doubt the most serious example of a broader security problem created for the region by the creation of Exclusive Economic Zones under the United Nations Convention on the Law of the Sea (UNCLOS) which came into force in November 1994. Conflicts over the resources (fishing stocks, oil and gas), both between ASEAN members and China, and between ASEAN members themselves, experts say, have been a central factor in the recent spurt in regional arms procurement. Investment has been particularly concentrated in military forces — such as longer-range aircraft, missile-armed patrol craft and frigates — suited to protecting maritime claims. ASEAN governments have therefore regarded military spending as a necessary investment in protecting vital economic assets rather than a diversion of resources from economic development. In a way increased defence spending and arms modernization efforts by the ASEAN countries received an impetus in the late Eighties and throughout the Nineties.

Some experts are of the opinion that the dynamic economic drive based to a large extent on hard work, determined learning, firm discipline, the ability to ensure low cost exports, a rapidly expanding consumer orientation, and above all, the willingness to accept subordination have formed the basis for new power potentials and power

5 ibid
constellations in Asia. The rapid change in economic capacities, the collapse of the Soviet empire, and the partial military withdrawal of the Americans from Southeast Asia have set a process in motion which has fundamentally changed the power structures in the Asia-Pacific region.⁶

Although ASEAN had achieved a degree of security within its area, its members continued to register heavy military growth in reflection of a general sense of insecurity towards their regional environment.⁷ In some states efforts were channelised into building up their own military engineering industry. Strong and steady economic growth may also have led with a certain degree of inevitability to greater defence expenditures. Antagonisms and power rivalries, which are essentially political have emerged more and more clearly as the main reasons for this development.⁸

Defence spending in East Asia grew by some 40 percent between 1985 and 1996, though some states increased their spending more quickly than others and some geared expenditure to their economic performance.⁹ The dollar value of defence spending grew significantly across the sub-region between 1985 and 1996. In Indonesia the expenditure increased by 44 percent, in Malaysia by 47 percent, in Myanmar by 65 percent, in Thailand by 125 percent, in Philippines by 125 percent and in Singapore by 144 percent.

Interestingly, the development of defence industries in Southeast Asia is the result of strategic influences as well as economic development plans, prestige factors, and in some cases the ambitions of political leaders. To cite an example, in Malaysia, cultivation of a local defence industry was part of Mahathir’s “Vision 2000” plan to transform the country into a developed nation by 2020. Former President Suharto of Indonesia enthusiastically supported defence industries led by B.J. Habibie, one-time Minister for Research and Technology who replaced Suharto as president in 1998 and was in office until mid-October 1999. During Habibie’s tenure, the state-funded civil-military “strategic industries” including aerospace, shipbuilding and electronics, were developed since the Seventies. Supported by privileged access to extra-budgetary resources and orders, these industries were to be the basis for modernizing Indonesia. His plans however sparked off controversy through the Nineties including opposition from the politically powerful military. Senior officers have doubted the reliability of domestically produced equipment, often preferring “off-the-shelf” purchases from Western suppliers.\(^\text{10}\)

Sixteen Hawk fighters worth $760 million purchased by Indonesia from the UK in June 1993, were delivered during 1995. Since 1993 the US sold over US $ 560 million in commercial licenses for arms sales. Indonesia accepted delivery of nearly 40 former East German Navy ships, mainly corvettes and a few amphibious transports.\(^\text{11}\)


Singapore's largely state-owned defence industry is the most diverse, relatively sophisticated and capable in Southeast Asia. In contrast to Indonesia and Malaysia it was developed primarily for strategic reasons due to the country's vulnerable location—a small country, sandwiched between two larger and politically powerful neighbours. Singapore upgraded combat aircraft and army equipment, designed and developed as well as produced small and medium-sized naval vessels, artillery and armoured vehicles. Singapore defence industry is supported by an effective Defence Science Organisation, has drawn technology from a variety of foreign sources, namely Israel and Sweden.

Although Singapore claims that it does not have any formal requirements of offsets, it often obliges major suppliers to conclude "Industrial Cooperation Programmes" which benefit its defence industries by transferring technology. In return for the contract to modernise Singapore's P5 fighters, Israeli Aircraft Industries have included Singapore Technologies Aerospace in consortia tendering for similar contracts in other countries. This is emulated by less developed countries. The licensed manufacture of the Spanish CASA 212 light transport aircraft was followed by the joint development and production of the larger CN-235 by Indonesia. It provided the basis for a dual civil-military aerospace industry which by the mid-90s was trying to manufacture larger commercial aircraft independently. However, Indonesia, Malaysia, Philippines and Thailand often opted for indirect offsets, typically involving skilled training and infrastructure development.

While the defence industries of most Southeast Asia countries will survive, the crisis has forced the pace of restructuring and has made international links more important in
the worst-affected countries. Whenever these countries can find resources to make major purchases of foreign equipment, they will continue to extract valuable offsets. In Malaysia defence-related offsets are now viewed in terms of Malaysia’s broader industrialisation programme. British Aerospace sponsors the training of Indonesian Aerospace engineers in the U.K. as part of the offset arrangements related to the purchase of Hawks.¹² The practice of buy-backs, in which the supplier purchases components produced in the recipient country, is also widespread in the region. Indonesia’s IPTN, for example, made parts for F16s. Malaysia’s SEM built wing pylons for Hawks.

Singapore’s Defence Science Organisation implemented programmes aimed at harnessing dual-use communications and computing technology to military purposes, its defence industry concentrated on the use of "cost-effective" commercial off-the-shelf technologies.

Southeast Asian military technology has serious problems namely weaknesses in fire-control systems, missile guidance and flight and engine control systems. For example, Singapore faced problems in outfitting its F-5 fighters with new radar and Indonesia suffered similarly in its efforts to develop a maritime patrol version of the CN 235. Whereas Singapore had previously been the only ASEAN state with a significant power projection capability, it increasingly finds itself emulated by Malaysia and Thailand. In 1991 Tim Huxley concluded that Singapore was militarily superior to both Malaysia and Indonesia. But it was also a pointer to the fact that these countries were gradually increasing their armaments. Introducing more updated, longer-range weapon-systems has been the driving-force for all these countries. In fact, this trend of competition and

¹² Tim Huxley and Susan Willet, “Defence Industries in East Asia,” Adelphi Papers, no. 329, 1999, p. 54
emulation as well as the purchase of advanced fighter aircraft and airborne missiles led the Malaysian Defence Minister in February 1996 to express concern that "the arms build-up could result in a confidence-destroying spiral in the region."\(^{13}\) Singapore has the capability to sustain rapid blitzkrieg against any enemy due to the Singapore Armed Forces' high state of combat readiness. At the same time it possesses real-time battle field reconnaissance capabilities, in the form of some 60 Israeli-made Malat Scout RPVs, some of which are reported to have crashed in Malaysian territory.\(^{14}\) It is backed by the best air force in the region which possesses the most advanced air warfare capability. It has also acquired new Israeli Python 4 medium-range missile for its jet fighters. In order to defend its skies it has also acquired Rapier, RBS-70 and Mistral and improved surface-to-air systems. It has also developed its navy along the Israeli model. In order to enhance the capabilities of its well-armed and well-trained formations, Singapore in the 90s also concentrated on improving the command, control and communications (C3) structure. Singapore discussed a multi-million dollar deal to upgrade its F-16 jets. Lockheed Martin, a newly formed US Corporation agreed to build 18 F-16C/D fighters for Singapore at a cost of US $341 million. Singapore also signed a deal with Westinghouse to buy 20 radar systems for F-16 fighters.\(^{15}\)

Thailand purchased 28 L-39ZA aircraft from Czechoslovakia in 1994, and ordered 18 new-build GHN-45 155mm 45 calibre towed howitzers from the Swiss-owned Noricum company. In addition, Thailand also presented a letter of request to the US Navy seeking permission to buy 8 F/A-18 Hornets, with the condition that the aircraft be sold

\(^{13}\) Chalmers, n.2, p. 82
\(^{15}\) Hickey, n.11, p.43
with the AIM-120 Advanced Medium Range Air-to-Air Missile (AMRAAM). The US however showed its reluctance to release AMRAAM into a region where it had not yet been sold. 16

The situation in which Malaysia existed in the shadow of Singapore's military superiority has also undergone transformation over the years. The Malaysian Armed Forces acquired 18 Mig 29s (to counter which Singapore purchased the Python 4) jetfighters armed with the modern AA-11 medium range air-to-air missiles.

"As part of its rapid reaction force, Malaysia plans to purchase attack helicopters, transportable light artillery and lift capabilities to move troops and material. Over the next five years it is expected that purchases will include additional C-130 aircraft, refueling tankers for Mig-29 and F/A-18 fighters which were brought in 1993, and perhaps a roll-on roll-off vessel with a landing platform."17

The military modernisation programme of Malaysia also included 8F-18C/D Hornet jet fighters as well as Hawk ground attack aircraft, mobile SAMs, air defence radars and new naval assets such as British-made missile frigates equipped with proven Seawolf anti-missile defences, and (Russian-made Kilo-class or Swedish Kockum submarines. It also has plans to acquire 270 main battles tanks (possibly Polish versions of the T-72 tank) as well as upto 2,000 APCs. Construction of two large military bases in Johor were also undertaken, a clear indication of Malaysia's resolve to strengthen its defences in the south. 18

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16 ibid
17 ibid
18 For details see Tan, n.14
Indonesia has also purchased former East German ships and submarines as well as Su-30 Flanker jetfighters. In order not to lag behind Thailand acquired a number of F-16s — a clear indication of attempting to modernize its armed forces.

The following table clearly indicates the comparative military capabilities of the ASEAN states:

**Table-1: Comparative Military Capabilities of the ASEAN States (1997)**

<table>
<thead>
<tr>
<th>Country</th>
<th>Military Manpower</th>
<th>Tank</th>
<th>APCs*</th>
<th>155 mm Howitzers</th>
<th>Missil Craft</th>
<th>Combat Helicopters</th>
<th>Combat Aircraft</th>
</tr>
</thead>
<tbody>
<tr>
<td>Singapore</td>
<td>334,000</td>
<td>410</td>
<td>1074</td>
<td>123</td>
<td>12</td>
<td>20</td>
<td>139</td>
</tr>
<tr>
<td>Malaysia</td>
<td>150,000</td>
<td>26</td>
<td>1210</td>
<td>12</td>
<td>12</td>
<td>0</td>
<td>94</td>
</tr>
<tr>
<td>Indonesia</td>
<td>861,000</td>
<td>355</td>
<td>719</td>
<td>0</td>
<td>13</td>
<td>0</td>
<td>92</td>
</tr>
<tr>
<td>Thailand</td>
<td>466,000</td>
<td>787</td>
<td>1035</td>
<td>150</td>
<td>13</td>
<td>0</td>
<td>210</td>
</tr>
<tr>
<td>Philippines</td>
<td>242,000</td>
<td>41</td>
<td>549</td>
<td>12</td>
<td>0</td>
<td>103</td>
<td>39</td>
</tr>
<tr>
<td>Brunei</td>
<td>6,000</td>
<td>16</td>
<td>52</td>
<td>0</td>
<td>3</td>
<td>6</td>
<td>0</td>
</tr>
</tbody>
</table>

#including reserves *including armoured reconnaissance vehicles


The table clearly demonstrates the ability of Singapore’s armed forces to compare favourably with the armed forces of its ASEAN neighbours despite its size. It also demonstrates the disparities in force modernization between one country and another.

The Singapore armed forces are superior to both Malaysia and Indonesia (leaving the others far behind) over almost every sphere such as armour, medium-range artillery, combat helicopters, combat aircrafts and missile-equipped naval craft. No doubt, numbers are not an indication of superiority, the SAF is definitely superior since it has force multipliers such as air-refilling tankers, the E-2C Hawkeye, AEW Platform, AN-TPQ 37 mortar locating radar, Scout RPVs (Reconnaissance Pilot Vehicles) and a
defence industry which is self-reliant in maintenance and production of basic weapons systems. While most ASEAN countries indulged in military modernisation programmes, in order to counter Singapore's military capabilities, yet Singapore is definitely far ahead of them.

In fact, Singapore according to some scholars, is drawing upon the US experience in the Gulf War and has noted the debate around the so-called Revolution in Military Affairs (RMA) in the US, which advocates the new information, sensing, precision attack, stealth and aerial warfare technologies employed in the Gulf as being the precursors of a fundamental change in the way wars will be fought in the future. For this purpose Singapore is determined to set up a fairly large F-16C/D fighter force, it has acquired a more air-borne early warning aircraft and has replaced the excellent Scout RPVs with the modern Israeli-built Searcher RPVs.

It is also paying increasing attention to its sea defence in recent years. The Singaporean army is also increasing in sophistication, with the latest technology being used for the manufacture of 52 calibre, 155mm self-propelled Howitzers and automatic grenade launchers (it is among the first few countries in the world to possess these) with MRLS (Multiple Rocket Launching Systems) used in the Gulf War.

This is a disturbing trend. No doubt, so far there is no clear evidence that the ASEAN states (apart from Singapore) is acquiring significant power projection capabilities aircraft carriers, long-range bombers, large-scale amphibious forces. Yet, recent acquisitions have increased the range accuracy and the lethality of the combat platforms even of medium sized powers in the region. Desmond Ball is of the view that most

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ibid
countries were modernizing their armed forces in line with their economic progress, the need to protect their newly-acquired territories under the 1982 UNCLOS and in response to uncertainties surrounding the future.\textsuperscript{20}

Joon Num Mak points out that ASEAN defence acquisitions since the Eighties have been platforms rather than defence systems, and that ASEAN armed forces today, are still largely “industrial age” forces hampered by the low level of technological expertise available locally.\textsuperscript{21} The fear of a military conflict is not pronounced in their minds. They believe that even if a conflict does occur, it will not be of a great magnitude. The still poorly developed technological base of most ASEAN countries (except Singapore of course) makes any attempt to incorporate the RMA into their military potentialities anytime soon questionable. However, he cautions that one should not underrate some of the advances being made, for example, in regional electronic warfare (EW) capabilities. Desmond Ball points out however, that basic EW is fairly new in Southeast Asia and electronic intelligence (ELINT) or EW capabilities are still modest. The systems available in the region are more tactical than strategic and have more to do with defensive measures than with offensive EW operations. This demonstrates not only a lack of indigenous capabilities but also a perception that the security environment is not very likely to present the region with a technologically sophisticated enemy.

However, as mentioned earlier Andrew Tan, while analyzing the attempts at RMA by Singapore including vast investment in the latest training simulators and the search for training facilities abroad despite the high costs involved, is less optimistic. He says “the

\textsuperscript{20} Desmond Ball, “Arms and Affluence; Military Acquisitions in the Asia Pacific Region,” \textit{International Security}, Vol. 18, No. 3, Winter 1994, pp.105-111

new generation of weapon and information systems associated with the RMA is also available to others. Airborne early warning platforms for instance, were previously the monopoly of the US, today relatively smaller states like Israel and Sweden are able to offer on the world arms market their own AEW systems. This availability, along with Singapore’s defence modernisation efforts marks a new trend in regional arms build-up. The time is not far when both Malaysia and Indonesia too will acquire an offensive preemptive capability. This will have the effect of lowering the threshold of any conflict, since in this case Singapore will have the incentive of thinking first in any conflict. Even a small incident might spark off a conflict, since Singapore needs to preempt any possible first-strike, from which it will be difficult for it to recover because of its lack of strategic depth and limited number of high value military targets. This in itself is a disturbing trend.

It was the introduction of these more powerful, longer-range, modern weapons systems into the region which raised concerns that an arms race could develop.

There is at the same time concern over the spread of lethal, nuclear, biological and chemical weapon technologies. Terrorist groups can by the use of these easily attack “soft” targets even in the most militarily strong states (use of nerve gas in Tokyo subway, Oklahoma bombing in the US.) Hence RMA technology is not well-suited to dealing with increasing threats from terrorism. Under the circumstances, Singapore cannot afford to make enemies. Hence defence policy as well as foreign policy has to go hand-in-hand. Singapore’s military modernisation efforts have far-reaching implications for regional security. The implications have to be understood, debated and

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22 Tan, n.14, p.14
managed properly to avoid dangerous consequences so as not to undermine the very security it was meant to achieve.

There is no doubt that existing tensions within ASEAN never flared into militarized competition or open hostilities even though outstanding disputes remained (as mentioned) earlier — that between Malaysia and the Philippines over Sabah, Malaysia and Brunei over the Limbang territory in Sarawak, Malaysia and Singapore over the island of Pedra Branca, Malaysia and Thailand over border-crossing rights, Malaysia and Indonesia over the islands of Sipadan, Sebatik and Ligitan and Indonesia and Vietnam over the boundary close to the Natuna Islands. Common regional strategy or even regional peace has not suffered as a result of disputes over maritime boundaries and other issues being handled keeping in mind the interests of all parties concerned. ASEAN has without doubt diffused internal disputes and exercised effective diplomacy. In 1995 the Philippines recalled its ambassador to Singapore due to the execution of a Philippine maid accused of murder but tensions subsided thereafter.

Charles E. Morrison\(^{23}\) has pointed out that the security outlook for the Asia Pacific region looks quite positive for the nearer term, but with specific points of danger and many underlying sources of long-term tension. The uncertainties about the region’s strategic future is reflected in a pattern of robust defence spending. Vietnam’s defence budget increased by a massive 50 % in 1994 despite the country’s preoccupation with economic reforms. Indonesia increased its defence budget for 1995-1996 fiscal year by 24 %. Malaysia planned to double its defence spending in 1994 to about $1.5 billion and continue at a level equivalent to 4 or 5 % of its GNP till the next 10 to 15 years.

\(^{23}\text{Charles E. Morrison, (ed.), Asia Pacific Security Outlook, Honolulu, H.I.; East West Centre, 1997, p.1}\)
Arms spending of the six-member states of ASEAN had risen by more than 77% in 1994 to $11.5 billion compared with $6.6 billion in 1980-81. Defence expenditure in Asia (excluding the US but including Australasia) increased by some 35 percent in real terms over the last decade to $156 billion. (See Table 2)

Table-2: Defence Expenditure Trends in the Asia Pacific Region

<table>
<thead>
<tr>
<th>Region</th>
<th>1985</th>
<th>1995</th>
<th>Increase</th>
</tr>
</thead>
<tbody>
<tr>
<td>Australasia</td>
<td>8,386</td>
<td>9,555</td>
<td>13.9%</td>
</tr>
<tr>
<td>N. East Asia</td>
<td>79,564</td>
<td>114,696</td>
<td>44.2%</td>
</tr>
<tr>
<td>S. Asia</td>
<td>12,089</td>
<td>13,099</td>
<td>8.4%</td>
</tr>
<tr>
<td>S.E. Asia</td>
<td>15,711</td>
<td>18,539</td>
<td>18.0%</td>
</tr>
<tr>
<td>Total Regional Expenditure</td>
<td>115,750</td>
<td>55,889</td>
<td>34.7%</td>
</tr>
<tr>
<td>%age of World Expenditure</td>
<td>9.86</td>
<td>19.14</td>
<td>—</td>
</tr>
</tbody>
</table>


Table-3: Southeast Asian Defence Spending

<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>3,334</td>
<td>3,662</td>
<td>3,608</td>
<td>4,592</td>
<td>4,797</td>
<td>4,812</td>
<td>4,894</td>
</tr>
<tr>
<td>Malaysia</td>
<td>2,513</td>
<td>3,172</td>
<td>3,301</td>
<td>3,665</td>
<td>3,695</td>
<td>3,377</td>
<td>3,222</td>
</tr>
<tr>
<td>Myanmar</td>
<td>1,252</td>
<td>1,747</td>
<td>1,914</td>
<td>1,961</td>
<td>2,012</td>
<td>2,167</td>
<td>2,059</td>
</tr>
<tr>
<td>Philippines</td>
<td>675</td>
<td>1,165</td>
<td>1,255</td>
<td>1,420</td>
<td>1,520</td>
<td>1,422</td>
<td>973</td>
</tr>
<tr>
<td>Singapore</td>
<td>1,692</td>
<td>2,929</td>
<td>3,276</td>
<td>1,520</td>
<td>4,258</td>
<td>4,624</td>
<td>4,276</td>
</tr>
<tr>
<td>Thailand</td>
<td>2,669</td>
<td>3,530</td>
<td>3,886</td>
<td>4,258</td>
<td>4,939</td>
<td>3,326</td>
<td>2,041</td>
</tr>
<tr>
<td>Vietnam</td>
<td>3,418</td>
<td>786</td>
<td>1,043</td>
<td>4,939</td>
<td>970</td>
<td>990</td>
<td>735</td>
</tr>
</tbody>
</table>

Source: IISS, June 1999
Increased defence spending had become a serious cause of concern, so much so that alarm signals were raised in certain quarters in the region leading to calls for confidence-building and greater military transparency among states in Southeast Asia and the broader Asia Pacific region to avert the potentials that arms modernization could trigger off an arms race.

However the pattern in defence spending changed drastically in the last decade specially after the 1997 crisis. (See Table 3)

In Thailand defence budgets were affected even before the crisis due to economic problems. In mid-1996 and April 1997 concerns over an increasing current account deficit led Thailand to freeze spending at 1995 levels. Plans to acquire submarines and a communications satellite had to be postponed. After protracted negotiations, the US in early 1998 allowed Thailand to cancel its 1996 order for 8F/A-18 fighter aircraft without incurring financial penalties beyond the $75 down payment already made.\textsuperscript{24} A number of payments had to be rescheduled. This included the Israeli manned aerial vehicles (UAVS). In early 1999, General Sulayath Chulanont, the armed forces commander-in-chief, stated that “Thailand would make no major purchases for the next five years.”\textsuperscript{25} There was a cut of 4.4% in defence spending in the 1999 budget. The draft budget of 2000 registered an increase of a mere 0.3%.

The economic crisis forced Malaysia to reduce planned defence spending by at least 21 percent in 1998-99. In March 1999 Deputy Defence Minister Abdullah Fadzil Che Wan stated that further cuts would reduce defence procurements by at least 30 percent.\textsuperscript{26}

\textsuperscript{24} Solingen, n.4, p. 16
\textsuperscript{25} Tan, n.14, p. 17
\textsuperscript{26} ibid
A number of projects involving infrastructure were called off and a number of procurement programmes for AEW aircraft, armed helicopters, submarines and army equipments including armoured vehicles, artillery and air defence missiles were suspended. This cut, however, did not interfere in any way with the long-planned acquisitions of 27 patrol boats which was finalized in early 1999.

In the Philippines depreciation of the peso cut by almost a third the $2 billion allocation for the first five years (1996-2001) of the armed forces’ 15 year $13 billion modernization programme. The armed forces invited tenders in April 1998 for 24 new fighters and seven patrol vessels to be supplied over a period of 10 years. It was agreed that the payment would be made over a period 17 and 22 years respectively. In July 1998 newly-elected President Joseph Estrada blamed the previous administration for bankruptcy and announced the deferment of modernization for at least a year. However, Chinese encroachment in the Spratlys in April 1999 forced Manila to allocate $150 million towards modernization funding to supplement the 1999 defence budget.

Indonesia’s defence budget for the fiscal year 1998-99 increased by 7.1 percent over that of the previous year. According to the then Indonesian Defence Minister General Wiranto, in January 1998, “the country was not thinking about buying new military equipment.” Proposals for acquiring Su 30 fighters and Mig 17 helicopters from Russia as also five second hand submarines from Germany were also put off indefinitely. In August 1998 it was decided that all equipment on order would have to be rescheduled including the payments for Hawk light fighters from the UK. In

27 Tan. n.14, p.18
February 1999, the Indonesian airforce cancelled all its contracts for locally built aircrafts and helicopters.

In contrast, Singapore increased its defence budget in 1998, according to official figures, as a proportion of GDP (Gross Domestic Product). According to Defence Minister Tony Tan, Singapore must demonstrate that it is prepared to commit resources to defence "in good times and bad" in order to assure its citizens and foreign investors.\(^28\)

Arms build-up has been more pronounced in Singapore and Malaysia, the region’s smallest but most economically-advanced countries. Thailand has also made major purchases to modernize its military and fears of Thai attempt to gain regional hegemony have found root in its neighbours’ minds.

Thai naval officials say their submarine acquisitions are mainly in order to protect the country’s mariner resources due to frequent encroachments in their territorial waters. However, Indonesia and Vietnam are involved to a lesser degree in an arms build-up and arms acquisition by the region’s largest country — remains low in comparison to others.

While the defence industries of most of these states will survive, the crisis no doubt has forced the pace of restructuring, and has made international links more important in the worst-affected countries. Where these countries can find resources to make major purchases of sophisticated foreign weapons, they will continue to extract valuable offsets. High-tech civilian industries in Singapore will allow it to play a more important

\(^{28}\) ibid, p.22
role as a joint-venture partner and supplier of sub-systems and components in an increasingly globalised defence industry.

Southeast Asian defence industries have not been able to collaborate much in spite of the fact that in 1995 Habibie called for the integration of the defence industries of Indonesia, Australia and Japan. This is mainly due to the fact that political suspicions, lack of trust in defence and security matters between regional states and competitive industrial strategies have prevented substantial collaboration. In 1997 Singapore’s Defence Minister Tony Tan announced the establishment of a bilateral “joint research fund” to encourage collaboration in Defence Research and Development.

The scope and characteristics of the region’s military acquisition programmes are not an indication that the dynamic aspects of a weapons acquisition process are at work among the ASEAN countries. The current arms acquisition programmes does not confirm to the generally accepted definition of “arms race.”

As mentioned earlier, there are very few instances where specific arms acquisitions have resulted in subsequent or counter acquisitions by others. For instance, Singapore’s purchase of F-16s resulted in similar purchases by both Indonesia and Thailand. It also prompted Malaysia to acquire a strike fighter. Other considerations, however, were also at work, namely, an emphasis on air defence and enhancement of self-reliance, capabilities to defend air and sea approaches, to conduct armed surveillance patrols over EEZs and to exhibit an effective commitment to actively contend claims in disputed maritime areas. With the possible exception of China, whose long-term plans include the creation of a blue water navy and the acquisition of an aircraft carrier, no

29 Reuters, Indonesia Urges Joint Asia-Pacific Arms and Aircraft Industries, 30 May, 1995
other Asian State's armed forces current modernization is bent on power projection beyond its EEZ. None anticipates, at the moment, development of a sea-control capability in the Pacific. There are as yet no plans of long-range bombers or surface-to-surface ballistic missiles.

Barry Buzan and Gerald Segal have argued “States in the region are responding to uncertainty about future threats....There are as yet no highly focused competitive arms accumulation....and it is still rare for military expenditures to rise as a percentage of gross national product.”

The foregoing concerns are not threat-driven but rather uncertainty based. Amitava Acharya also insists that despite the general modernization of navies and air forces in Southeast Asia; there is no real arms race. Firstly, there are no specific rivalries among the regions’ members. Secondly, rapidly growing economies permit the acquisition of new armaments without raising the percentage of national budgets spent on defence. Moreover, these purchases are justified more in terms of keeping up with neighbours than any plans to become regionally dominant. New Frigates, F-16, F-18, and Mig-29 fighters, and even submarines are a source of status. None of these systems give their owners an ability for sea control. Only the US Seventh Fleet has that capacity in the Pacific. But, they could add up to a sea denial strategy by which each plans to protect its EEZ against potential interlopers.

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30 Solingen, n.4, p. 41
Bunn Negro, another analyst feels that for the most part, Asia-Pacific armed forces are replacing obsolete equipment in a maturing region, looking forward to the twenty-first century.33

It remains a matter for grave concern that in an age when most countries are inducing cuts in their defence budgets in real terms, ASEAN arms spending increased by leaps and bounds and would have continued to rise but for the crisis of 1997.

To conclude, there is as yet no arms race in the region. It is important to put the recent ASEAN arms build-up into perspective.

Defence spending in dollars is not likely to revert to 1997 levels in the next few years in the countries most affected by the economic crash — Indonesia, Malaysia, the Philippines and Thailand. In these countries the emphasis in the near future is likely to be on upgrading existing equipment, combat aircraft and naval vessels as well as the integration of sophisticated and advanced weapons.

With the exception of Singapore the Proportion of GNP (Gross National Product) spent on defence is still relatively low, specially in comparison to the defence efforts of countries like Taiwan and South Korea. None of the ASEAN states have any plans to acquire weapons of mass destruction. Power projection capabilities, although growing, remain relatively modest.

In fact, Indonesia's first formal Defence White Paper reveals a "concentric circles" approach to security where "the deepest layer is domestic security, followed by sub-regional (ASEAN) security, regional (Southeast Asia) security, and the security of

neighbouring regions. An army numbering 240,000, the bulk of Indonesia’s armed forces, is in charge of maintaining vigil along the landmass while only 47,000 and 23,000 personnel comprise the navy and air force. However, the necessity of protecting and exploiting the Natuna gas field necessitates both the navy and air forces to maintain peace within the region.

Yet one positive occurrence is that the ASEAN states embraced transparency in military acquisitions and endorsed the United Nations Register on Conventional Arms requiring countries to report on major conventional arms transfers. Despite references to military acquisitions by ASEAN states as the prelude to armed conflict, there were neither arms races nor offensive build-ups that threatened neighbouring countries.

By destroying economic growth, developments since mid-1997 have undermined a principal foundation of security in the region. The main impact will be felt in terms of social stability. However, long-term implications could affect relations within the region and even upset the balance of power resulting in an increase in defence spending by the states.

In late 1998 and early 1999 some of these countries exhibited signs of economic recovery. But at the same time there were disturbing trends, especially in Indonesia. The political and social order in Indonesia is currently in a state of turmoil. In the near future, for the economies of the countries in the region to revive fully, massive structural reforms to the banking and corporate sectors is required along with debt-restructuring programmes.

Although there was no arms race in the region, arms acquisition by the Southeast Asian nations was mainly due to economic prosperity and for enhancing their status as argued

by political analysts. However, after the crisis, arms acquisition suffered a decline, as mentioned earlier. This has created new problems for countries of the region. There is a feeling that China might take advantage of the situation in the near future to strengthen its influence in the South China Sea, especially the Spratlys, since there has been no corresponding cut in the defence expenditure of China. Rather, renewed acquisition of superior artillery and tanks by the Chinese republic is being viewed not as an arms race in the region, but with apprehension and genuine concern for the security of the region by the Southeast Asian countries.