

University of Toronto – York University
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**Governance and Security
in Southeast Asia: Assessing
the Impact of Defence Spending**

Amitav Acharya

Eastern Asia Policy Papers

9

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University of Toronto-York University
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Suite 270, York Lanes
York University
4700 Keele Street
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CANADA M3J 1P3

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What lies behind the dynamic economic growth that East and Southeast Asia have experienced in the past two decades? What is the extent of economic integration in the region? Is the process of regionalization likely to foster distinct regional institutions and processes? What are the specific connections between economic, social and political development? How do the security issues of the post-Cold War agenda link to development concerns? What strategies are Eastern Asian governments using to integrate into the region and what devices are they using to protect themselves from the accompanying environmental and social dislocations? What implications do these changes have for Canadian developmental assistance programs in the region?

These are some of the questions that are being addressed in an innovative three-year research program supported by the Canadian International Development Agency and administered by the Joint Centre for Asia Pacific Studies.

The main element of the program is the commissioning of some thirty papers prepared by academic specialists in Canada and Asia. The immediate audience for the papers is officials in the Asia Branch of CIDA and their colleagues in other government departments.

An additional objective, which CIDA has encouraged, is the enrichment of public discussion of Canadian interests and involvement in the region. This is being pursued through broader dissemination of the papers and through a series of meetings involving government officials, academics, businesspeople and representatives of nongovernmental organizations.

We are thus grateful to CIDA for permitting us to publish in slightly altered form some of the papers produced for the project. It should be emphasized that the views expressed are the responsibility of the authors themselves and not CIDA.

Paul M. Evans
Director and Series Editor

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About the Author

Amitav Acharya is Associate Professor, Department of Political Science, York University, Toronto. He is also a Research Fellow of the Centre for International and Strategic Studies at York and the University of Toronto – York University Joint Centre for Asia Pacific Studies. His areas of teaching and research interest are international relations (security studies) and Southeast Asian Studies. Prior to his York appointment, he was a lecturer in the Department of Political Science, National University of Singapore and a Fellow of the Institute of Southeast Asian Studies, Singapore. He is the author of five monographs, the most recent being: *A New Regional Order in Southeast Asia: ASEAN in the Post-Cold War Era*, Adelphi Paper no. 279 (London: The International Institute for Strategic Studies, 1993) and *An Arms Race in Post-Cold War Southeast Asia: Prospects for Control*, Pacific Strategic Papers no. 8 (Singapore: Institute of Southeast Asian Studies, 1994). In addition, he has contributed to a number of scholarly journals including: *Australian Journal of International Affairs*, *Pacific Affairs*, *Journal of Peace Research*, *Journal of Strategic Studies*, *Contemporary Southeast Asia*, *Indonesian Quarterly* and *Pacific Review*.

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Executive Summary

The concept of "good governance" requires that countries limit their defence allocations to levels at which they do not undermine their developmental and security goals. This is of interest not just to the developing countries themselves, but also to the donor countries and international financial institutions concerned with Third World development and who in recent years have expressed growing alarm about the rising levels of defence expenditures in the Third World. But at what levels does defence spending begin to negatively affect the economic and security interests of a country? This paper proposes a conceptual framework for making this assessment. The empirical focus of this study is on four countries in Southeast Asia: Malaysia, Indonesia, Thailand and the Philippines. The framework sets out the relevant criteria which can be used to assess the impact of defence spending on the economic well-being and security of the countries concerned. These assessment criteria include (1) an economic component consisting of the indicators of the defence burden, the correlation between economic growth and defence spending, economic and technological spin-offs of defence spending, cost-saving options and opportunities associated with defence procurement, and decision-making rationality in resource allocations; (2) a strategic component consisting of the need for self-reliance, pursuit of national interest, and the perception of threat; and finally (3) a political component including the impact of defence spending on domestic and regional stability. While these indicators are used to examine the specific cases of the four Southeast Asian countries, they can be generally applied to other parts of the developing world. The paper concludes by observing that the interests of the donor countries in the level of defence allocation could strengthen the prospects for limiting the militarization of the Third World, at a time when more conventional means for arms control appear to have failed.

The Policy Context

Although the political, economic and security impacts of defence expenditures in the Third World have attracted considerable attention in academic literature, until now, they have remained outside the policy framework governing development assistance to Third World countries. Traditionally, donor countries and agencies have viewed security and defence matters as falling within the domestic political sphere of the aid recipients, and avoided any linkage between defence spending and development assistance which would be seen as unacceptable interference in the recipient nation's internal affairs.

But a number of recent developments indicate a shift in this position. A recent document circulated by the World Bank provides three main reasons why donor countries are taking note of the impact of defence expenditures:

Firstly, as countries struggle to contain fiscal deficits and create conditions for sustained growth, there is a need to shift resources from public consumption to more productive spending categories, such as infrastructure and the social sectors, which contribute more directly to economic performance. There are member countries where the high share of military spending in the budget is crowding out allocations to programs more directly relevant to social progress and economic growth. Secondly, the end of the Cold War provides an opportunity to reassess military budgets that owed more to a country's association with major power blocs than to domestic or regional security needs. Thirdly, there is the perception by many bilateral donors that because of the fungibility of budget resources, aid has indirectly financed higher levels of military spending than would otherwise have been possible.¹

Since the late 1980s, the World Bank and its sister organization, the International Monetary Fund, have quietly begun paying attention to the defence burden of borrowers who are faced with serious economic crises. This policy shift was stated to be an integral element of the concept of "governance" or "good governance." The World Bank defines "governance" as "the manner in which power is exercised in the management of a country's economic and social resources for development."² In its view, a high level of security-sector allocations which diverts resources from development and social programs is contrary to the principles of sound governance. Such concerns are shared by other bilateral and multilateral donors as well. For example, the Canadian definition of "good governance" incorporates acceptable levels of military expenditure and limitations on the role of the military. In November 1992, Japan's Economic Cooperation Bureau mentioned five possible ways of monitoring and promoting military reform which could be part of its policy on development assistance. These are: (1) to focus on trends in military spending rather than static measures; (2) to enhance transparency of security data to help quantify "excessive"

military spending; (3) to engage in policy dialogue with recipients; (4) to engender multilateral coordination of policies; and (5) to promote policy coherence to enhance donor calls for reduced security expenditure on the part of aid recipients. In a similar vein, the Nordic Ministers of Development Cooperation has emphasized the need for reductions in defence spending as a way of increasing domestic resources for development. In December 1993, the OECD Development Assistance Committee called for efforts to help aid recipients cut their military spending. And the United Nations Development Program became the first institution with Third World membership to support linking development assistance to security-sector reforms.

While the interest shown by donors in monitoring the defence burden of developing countries is a welcome trend, it is also problematic for several reasons. One of the most difficult issues relates to the question: at what level can defence spending be regarded as unacceptably high? What are the indicators of an excessive defence burden that might frustrate the objectives of development aid and hence justify preventive and remedial action on the part of the donors? This paper proposes a framework to address these questions.

Conceptual Framework

As outlined below, the proposed framework consists of three elements.

- A. *Economic Assessment*
 1. indicators of the defence burden
 2. correlation between economic growth and defence spending
 3. economic and technological spin-offs
 4. cost-saving options and opportunities
 5. decision-making rationality in resource allocations
- B. *Strategic Rationale*
 1. need for self-reliance
 2. pursuit of national interest
 3. perception of threat
- C. *Political Impact*
 1. impact on domestic stability
 2. impact on regional stability

The first is an assessment of a country's defence burden in terms of trends in a variety of indicators, followed by an examination of several related issues, such as the correlation between economic growth and defence spending, the relationship between defence spending and other areas of social spending and the economic "rationality" behind the decision-making process related to defence allocations. The second element is an assessment of factors which explain the trends behind defence expenditure and arms procurement decisions and trends in the aid-recipient countries. A specific aim of this exercise is to assess

the extent to which the defence burden of a country is tied to its "legitimate" security needs. The third element is to examine the political impact, broadly defined, of defence spending. This involves looking at the impact of increased levels of defence spending and arms procurement on domestic and regional stability which could seriously affect the economic performance of the recipient states.

In this paper, the above framework is highlighted by examining defence and security trends in four countries in Southeast Asia, namely: Malaysia, Indonesia, Thailand and the Philippines. Of these, Indonesia and the Philippines are heavily aid-dependent, while Malaysia and Thailand have reduced their need for development assistance through strong economic performance. But all have increased allocations to their defence and security sector, raising concerns about the economic and political implications of these trends. Hence, an evaluation of the defence spending patterns should be of particular importance to donor countries like Canada which have substantial economic and strategic interests in the region.

This paper agrees that a country's security situation significantly affects the objectives of development aid provided to it, and that the policy framework governing such aid should take into account the recipient state's defence burden. The simple aim of this paper is to pose a set of questions which might be used by donors to monitor developments in the defence and security sector of aid recipients so as to maximize the potential for the realization of development objectives.

Although the methodology adopted here is comparative, it is also necessary for the purpose of this paper to begin by providing a brief assessment of the individual national security concerns and military programs of the four Southeast Asian countries which are used as case studies. This will be followed by a comparative analysis of the economic, strategic and political elements as outlined in the proposed assessment framework.

National Security Concerns

Indonesia

Indonesia is the most populous nation in Southeast Asia, and politically the most important. Indonesia's security concerns have traditionally focussed on internal threats. Despite the collapse of its communist insurgency, Indonesia continues to be troubled by ethnic separatist movements which are active in East Timor, Aceh and Java. Security planning is thus geared more to dealing with an internal "national crisis" involving domestic rebel groups than to the highly unlikely prospect of war with another state.³ But its status as a vast archipelagic state has also created a need for military capabilities that go beyond internal security operations and enable the country to deal with "illegal fishing, piracy, safety of navigation, and collision at sea."⁴

The top priorities for Indonesia's current defence modernization plans include capabilities for "airlift, strategic sealift, communications, and intelligence."⁵ Indonesia's air force equipment acquisition includes fighter aircraft, transport planes and airborne early warning aircraft. It has embarked upon a massive domestic naval construction program involving submarines, frigates, corvettes and fast patrol boats. Indonesia's navy is building two new bases in eastern (Aru Island in Maluku province) and northern (Sibolga in North Sumatra) Indonesia "to help guard its exclusive ocean zone against foreign encroachment."⁶ The expansion of the fleet through the acquisition of ex-East German vessels and the construction of new bases to provide logistical support and supply facilities would enhance the navy's patrolling frequency and coverage of resource rich maritime territory.

Malaysia

Unlike Indonesia, Malaysian security concerns in the post-Cold War era have experienced a clear shift from a focus on internal to external threats. A major factor is the defence of its territorial claims in the South China Sea. In the words of Malaysian Chief of Defence Force: "In the immediate term ... the biggest problem to regional stability will be the settling of the claims to the Spratly and Paracel Islands and whether China will want to pursue its claims militarily."⁷ Accordingly, the place of the Spratly Islands in Malaysia's defence planning has been raised from "secondary to very much top priority."⁸ Malaysia's garrison on three atolls in the Spratly Islands has been described as the country's "front line in the area." The South China Sea apart, Malaysia sees the emergence of China as a military and economic power and the rivalry between China and other Asian regional powers as a threat to its security interests.⁹

Malaysia's security allocations are geared to "transform[ing] the Malaysian Armed Forces into a more conventional force, equipped to counter external aggression."¹⁰ "Military independence" is a key goal of recent arms purchase decisions by Malaysia,¹¹ which include a range of fighter aircraft, guided missile frigates, precision-guided missile systems, off-shore patrol vessels, maritime patrol aircraft and in future, a submarine capability. In concert with the emphasis on its air force and navy, Malaysia is also creating a "rapid deployment force" as the core of a restructured army, which will have a conventional warfare capability within Malaysia's borders.

The Philippines

The security concerns of the Philippines in the post-Cold War era have been influenced by two major developments: the withdrawal of U.S. forces and bases from its soil, creating an urgent need for greater self-reliance by the AFP; and the increasing realization that maritime issues are a vital national security interest for the archipelagic state. As President Ramos put it, "the primary

objective" of the AFP's modernization program is "to be able to protect our maritime borders ... in the South China Sea, in the Pacific Ocean, and in the Sulu Sea."¹² The easing of the communist insurgency has made it possible for the Philippines to play greater attention to its air force and navy.

The Philippines has embarked upon a fifteen-year (extended from the original ten years due to budgetary constraints) modernization plan costing some 302 billion pesos (S\$20.2 billion).¹³ The navy has sought a major share of funding under this program by claiming that the Philippines economy loses some 50 billion pesos a year because of poaching, illegal fishing and smuggling.¹⁴ Its major acquisitions include ordinary and missile-equipped fast attack craft, landing ships and mine counter-measure vessels. The Philippine air force, whose growth had been stunted by the country's reliance on the protection offered by U.S. forces based on its territory, now has begun a move towards self-reliance in air power. The air force has identified the need to defend the country's claims to the Spratly Islands as a major rationale for equipment modernization. "Given the archipelagic geography of the Philippines, our need for capable air power should be obvious."¹⁵ Its modernization plan calls for acquisition of fighter aircraft, radar systems, surface-to-air missile systems, transport aircraft and helicopters.¹⁶

Thailand

In 1991, the chief of Thailand's National Security Council predicted that the country would not face any major military threat within the next five years.¹⁷ But a subsequent government study of Thailand's security in the twenty-first century pointed to three "grave" security problems: fishing disputes, border demarcation with four neighbouring countries and ethnic insurgency on the Thai-Burmese border.¹⁸ Although they do not see any prospect of general interstate war, Thai military officials have raised the possibility of "low-intensity" conflicts as the basis for contingency planning and arms acquisitions. Additionally, Thailand shares regional concerns relating to the possibility of conflict in the South China Sea affecting the security of its sea lanes. The protection of its economic interests in the Gulf of Thailand and the Andaman Sea as well as the adjacent sea lanes have been a key factor behind Thai defence spending. In addition, Thailand's security planners have spoken of a need for arms procurement to gain more national "bargaining power"¹⁹ and maintain a "balance of sea power" in the region.²⁰

Thailand's military modernization program aims at "boosting sea and air power, extending their range, and acquiring new capabilities in all areas of conventional warfare strategy."²¹ The Thai navy's role is shifting from coastal to "deep sea defence" as the lessening of land-based threats and domestic political developments favouring the navy have led to an emphasis on naval modernization. A reorganization of the marine corps, enhancement of amphibious capabilities including purchase of assault ships (LPDs), and plans to acquire

fixed wing strike aircraft for the navy suggest an emphasis on power projection and ability to conduct blue water operations.²² The chief of the navy, Admiral Vichet, recently stated that: "We're in the process of making a 'blue navy' which will sail further out into the deep sea instead of a 'brown navy' which only conducts sea patrols."²³ The acquisition of a helicopter carrier has been linked to the need for a "disaster relief" capability, but it also gives Thailand a greater capacity for power projection.²⁴ Larger platforms such as frigates from China and a helicopter carrier are being acquired to cover the entire Gulf of Thailand on a continuous basis.²⁵ The navy also wants to develop a capacity to undertake a large-scale frigate construction program, which is "the most important requirement for any country which wants to project its sea power."²⁶ With respect to air power, Thailand is seeking additional fighter and airborne early warning and control aircraft,²⁷ while naval air capabilities are being augmented with the acquisition of maritime patrol aircraft, amphibious landing ships/tank, minehunters, ASW corvettes, frigates and helicopter carriers.²⁸

Economic Assessment

As noted, all four countries examined in this study have increased their defence expenditures and are in the process of acquiring a wide variety of modern weapons (see Appendix). In making an economic assessment of these trends, the following questions are especially relevant:

1. *Do the indicators of the defence burden show a consistently high rate of growth and exceed allocations to other sectors, especially social expenditures?* An answer to this question is difficult in view of the uncertainties and inaccuracies of available data. The defence burden of a country can be measured in terms of the following quantitative indicators: defence expenditures in absolute figures in both current and constant dollars (or another major currency) terms; defence expenditures as a percentage of the Gross National/Domestic Product; and defence expenditures on a per capita basis. While there are a number of standard sources for data on these categories, none can be considered definitive.²⁹ The estimates provided by research institutions such as the Stockholm International Peace Research Institute and the International Institute for Strategic Studies, should be taken as providing a general impression, rather than a precise indication, of defence expenditures.

Tim Huxley has identified some of the key problems in obtaining reliable data on defence spending in Southeast Asia. Huxley points out that "large proportions of actual military expenditure (especially when related to internal security and paramilitary forces) may be secreted in other areas of government spending." Thus, "in the case of Indonesia three times the amount of declared defence spending may be 'hidden' this way." Another problem is that "original expenditure estimates may be revised during the financial year in the light of changing economic and political circumstance—particularly in times of high

inflation." On Malaysia, there "were considerable grounds for confusion in assessing Malaysia's defence expenditure, owing to its division between annually recurrent operating expenditure and longer-term development expenditure."³⁰ In the case of Thailand, officially published defence spending and arms purchase figures do not include allocations from the Thai Armed Forces' "Secret Fund."

The available data on defence expenditures in the four Southeast Asian countries for the 1978–87 period is presented in Tables 1–4. From these sources, the following trends can be highlighted. First, defence expenditures measured in terms of current national currency values have increased for all four countries, with Thailand and the Philippines registering a particularly high rate of growth. Second, measured in constant (1985) U.S. dollars, the defence burdens of Malaysia and Thailand have increased (though not by a big margin), while those of Indonesia and the Philippines have actually declined. Third, all the four countries show a decline of their defence burden measured as a percentage of their GDP/GNP (with variations between data sources in the case of Thailand and the Philippines). A decline is also evident with respect to defence expenditures measured on a per capita basis for all four countries. It should also be noted that none of the four states rank very highly in the world in terms of their allocations to the defence sector. In 1989, the world ranking of Thailand, Indonesia, Malaysia, and the Philippines in terms of defence expenditures was 44, 48, 56 and 57 respectively.³¹

In comparing defence spending with social expenditures as a percentage of GDP/GNP for the period of 1978 and 1987 (Tables 5–6), it was found that in all four cases, social expenditures have been higher than defence expenditures, although country-to-country variations in the definition of social spending do not allow strict comparisons. Data on social and defence expenditures measured as a proportion of central government expenditures show a similar pattern, with the former remaining higher than the latter (although in the case of Thailand, the gap is much narrower). In any case, at least for the period of the 1980s, there appears to be no evidence of a "crowding out" effect insofar as social expenditures of the four states are concerned.

2. *Is there a relationship between economic growth and defence spending trends?* Several studies have indicated a strong positive correlation between economic growth and defence spending in the developing world in general and Southeast Asia in particular.³² With the exception of the Philippines, all the states examined here have experienced significantly improved economic conditions (see Table 7). Singapore's defence minister has claimed that this is the primary factor behind the increased defence spending throughout the region,³³ although it does not explain why countries with poor economic performance, such as Vietnam, Burma and the Philippines have also increased their defence spending substantially. Nonetheless, that many countries in East Asia, including three of the four examined in this study, rank highly in the world in terms of

Table 1
Current Defence Expenditures of Indonesia, Malaysia, the Philippines and Thailand

	1985	1986	1987	1988	1989	1990	1991	1992	1993
Indonesia (b. new rupiahs)	2 856	3 089	3 058	3 164	3 378	3 204	3 611	3 611	3 380
Malaysia (m. ringgits)	2 700	4 075	3 611	3 754	4 007	4 165	3 801	3 801	5 000
Philippines (m. pesos)	7 827	8 662	9 268	10 972	16 447	17 680	18 646	18 646	26 700
Thailand (m. baht)	52 275	51 825	53 125	54 655	57 176	64 956	74 811	74 811	68 810

Sources: Stockholm International Peace Research Institute, *SIPRI Yearbook 1992: World Armaments and Disarmament* (Oxford: Oxford University Press, 1992), except for 1992 statistics, which are from International Institute for Strategic Studies, *The Military Balance 1992-1993* (London: IISS, 1992).

Table 2
Indonesia, Malaysia, the Philippines and Thailand
Defence Expenditure Data Compared, Absolute Figures
(Constant Million 1985 U.S. Dollars)

	Indonesia		Malaysia		Philippines		Thailand	
	IISS	SIPRI	IISS	SIPRI	IISS	SIPRI	IISS	SIPRI
1975	2069	2557	719	1143	760	1109	1012	959
1976	1809	3195	621	1195	721	1283	1058	1182
1977	2494	3085	894	1371	1121	1268	1230	1553
1978	3126	2066	1093	1152	1219	826	1219	1278
1979	2334	1971	1645	1298	1082	758	2194	1739
1980	2683	2184	1760	1618	792	713	1418	1662
1981	3360	2375	2405	1951	942	746	1966	1654
1982	3183	2292	2365	1899	1009	781	1711	1734
1983	2701	2243	2223	1468	712	779	1766	1858
1984	2024	2205	919	1108	519	503	1805	1989
1985	2341	1936	1764	977	474	386	1517	2050
1986	1603	1979	982	1465	502	424	1524	1997
1987	1704	1793	1455	1286	766	437	1579	1996
1988	n.k.	1717	1641	1312	855	476	1573	1977
1989	1570	1722	1418	1362	1168	645	1493	1959
1990	1776	1520	1557	1380	878	616	1601	2105
1991	1739	1568	1670	1204	843	549	1761	2292

Sources: International Institute for Strategic Studies, *The Military Balance* (London: IISS, various years); and Stockholm International Peace Research Institute, *SIPRI Yearbook* (London: Taylor and Francis/Macmillan, various years).

growth rates both in GDP and in defence spending is no coincidence. As the data on defence spending would indicate, the highest increase in defence spending has occurred in Thailand and Malaysia—countries that have experienced the most spectacular rates of economic growth.

A closely related question in assessing the correlation between economic growth and defence spending is: are governments likely to respond to economic constraints by scaling down their defence programs? That the scale of defence programs is subject to the fluctuations in the national economic cycles had been indicated in the case of Malaysia in the early 1980s, when it cancelled a defence modernization program due to an economic recession. In the current context, economic constraints have led Malaysia to defer the acquisition of a submarine capability³⁴ and the Philippines to stretch its comprehensive modernization

Table 3
Indonesia, Malaysia, the Philippines and Thailand:
Defence Expenditure Data Compared
(Percentage of GDP/GNP)

	Indonesia		Malaysia		Philippines		Thailand	
	IISS	SIPRI	IISS	SIPRI	IISS	SIPRI	IISS	SIPRI
1974	2.6	4.6	3.8	5.9	2.1	2.9	3.2	2.7
1975	3.8	5.1	4.0	6.9	2.6	3.3	3.7	3.2
1976	3.5	5.8	3.8	5.9	3.0	3.4	3.7	3.6
1977	3.4	5.1	4.4	6.1	3.4	3.2	4.0	4.4
1978	4.0	5.0	4.5	5.8	3.3	2.7	3.4	4.3
1979	3.2	4.1	5.7	5.5	2.6	2.4	5.7	5.4
1980	2.9	3.8	5.7	6.4	1.7	2.2	3.3	5.1
1981	3.4	3.7	8.1	8.1	2.1	2.2	4.6	4.8
1982	3.3	4.2	8.2	7.8	2.3	2.3	5.0	4.9
1983	3.5	3.7	7.1	5.6	1.8	2.2	4.1	5.0
1984	2.4	3.5	2.6	3.8	1.6	1.5	4.2	5.0
1985	2.8	3.0	5.6	3.5	1.4	1.3	4.1	5.0
1986	2.4	3.0	3.7	5.7	1.7	1.4	3.7	4.7
1987	1.9	2.5	4.6	4.5	2.1	1.3	3.7	4.3
1988	n.k.	2.3	n.k.	4.1	n.k.	1.3	n.k.	4.0
1989	1.4	2.1	3.7	4.0	2.8	1.8	2.6	3.2
1990	1.4	1.6	3.7	3.6	2.2	1.8	2.6	3.2

Sources: International Institute for Strategic Studies, *The Military Balance* (London: IISS, various years); and Stockholm International Peace Research Institute, *SIPRI Yearbook* (London: Taylor and Francis/Macmillan, various years).

program for the armed forces beyond its initial timetable of ten years. Indonesia's leaders also show sensitivity to the economic burden of defence expenditures by acknowledging that "ever increasing purchases of arms merely divert sorely needed resources from national development efforts without necessarily resulting in greater security."³⁵

3. *What are the economic and technological spin-offs of defence spending and arms imports?* Although many analysts and multilateral institutions may regard defence spending as nonproductive expenditure, many developing countries may see it otherwise. The acquisition of modern and sophisticated arms could be a valuable mechanism for technology transfer and economic modernization.³⁶ The defence acquisition programs of the four Southeast Asian countries are increasingly tied to joint ventures and offset agreements providing for

Table 4
Indonesia, Malaysia, the Philippines and Thailand:
Defence Expenditures Per Capita
(Constant 1985 U.S. Dollars)

	1983	1984	1985	1986	1987	1988	1989	1990	1991
Indonesia	17	12	14	10	10	n.k.	9	10	9
Malaysia	150	60	113	60	88	99	83	89	92
Philippines	14	9	9	9	13	15	19	14	13
Thailand	35	36	29	29	29	29	27	28	30

Sources: Figures provided by/derived from International Institute for Strategic Studies, *The Military Balance* (London: International Institute for Strategic Studies, various years).

Table 5
Defence and Social Expenditures Compared:
Indonesia, Malaysia, the Philippines and Thailand
(Percentage of GDP/GNP)

	1978	1979	1980	1981	1982	1983	1984	1985	1986	1987
Indonesia										
Social	17.6	8.0	12.0	11.0	9.8	10.2	9.3	10.9	11.5	13.1
Defence	6.6	2.5	3.4	3.4	3.2	2.6	2.5	2.3	2.4	2.0
Malaysia										
Social	10.6	8.8	17.0	14.2	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Defence	4.0	3.9	6.9	5.9	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Philippines										
Social	6.8	5.9	5.5	5.9	5.9	5.7	4.3	4.7	5.1	n.a.
Defence	2.1	2.3	1.9	1.8	1.6	1.6	1.2	1.2	1.2	n.a.
Thailand										
Social	6.0	6.1	6.2	7.0	6.7	6.6	6.7	7.1	7.0	6.5
Defence	3.9	4.1	4.1	4.4	4.0	3.8	3.8	4.2	3.8	3.5

Note: GDP figures used with the following exceptions: Indonesia (1978), Malaysia (all), Philippines (1978-80), Thailand (1978-81).

Social Expenditure Definitions: Indonesia: General public services and public order; education; health, housing and community amenities; and recreational, cultural and religious affairs and services. Malaysia: General public services and public order; education; health; social security and welfare; housing and community services; and recreational, cultural and religious affairs and services. Philippines and Thailand: General public services; education; health; social security and welfare; housing and community amenities; and recreational, cultural and religious affairs and services.

Sources: United Nations, Economic and Social Commission for Asia and the Pacific, *Statistical Yearbook for Asia and the Pacific 1989* (Bangkok: Economic and Social Commission for Asia and the Pacific, 1990); International Institute for Strategic Studies, *The Military Balance* (London: IISS, various years); U.S. Arms Control and Disarmament Agency, *World Military Expenditures and Arms Transfers* (Washington: U.S. Government Printing Office, various years).

transfer of technology, skills and training. Indonesia has led the way with ten state-owned defence-related enterprises being the vehicles for technology transfers from overseas.³⁷ Indonesia's leading defence manufacturer, the IPTN, is a product of offset licensing agreements with MBB of Germany, CASA of Spain and Aerospatiale of France. Singapore has developed direct offset arrangements with Western manufacturers in order to facilitate technology transfers and build an export-capable defence industry.³⁸ The current arms import programs of the four countries examined in this study feature significant offset arrangements. For example, Indonesia's purchase of the F-16 aircraft involved an offset agreement between the General Dynamics and the IPTN involving a large order of components by the former from the latter. Indonesia has also made its decision to purchase the *Hawk* aircraft conditional upon the manufacturer (British Aerospace) giving 35 percent of the manufacture to Indonesia's IPTN and helping it to acquire a British airworthiness certificate for the IPTN-made CN-235 transport aircraft. A number of recent purchases by the Philippines, such as the army's purchase of *Simba* armoured personnel carriers from Britain, and the navy's purchase of a new class of fast patrol craft from the U.S., involves substantial local assembly and production components; while the air force's purchase of S-211 trainer jets from the Italian firm Augusta includes a technology transfer deal worth U.S.\$1.2 million.³⁹ Malaysia's frigate deal with Yarrow shipbuilders in Glasgow includes a ten-year offset program including transfer in shipbuilding technology.⁴⁰

4. *Are defence spending decisions spurred by cost-saving options and opportunities presented by shifts in the international arms market?* It should be noted that arms purchase decisions in the developing world are often influenced as much by competition among the suppliers as by competition among the recipients. In the post-Cold War era, supplier competition for overseas markets has intensified as a result of two related factors: (1) the need of the major arms exporting countries to find new markets in order to compensate for traditional markets lost due to the end of the Cold War; and (2) the interest of the governments of supplier nations to avoid the political consequences (especially those associated with job losses in the defence industrial sector) resulting from the collapse of their domestic defence industries. In this context, the arms procurement priorities and timetable for the East Asian states have undoubtedly been influenced by a combination of supplier competition and pressure leading to the emergence of what *The Economist* described as "the greatest buyers' market ever," in the Asia-Pacific region.⁴¹ The ironic consequence of the end of the Cold War is its contribution to increased supplier competition in the Asia-Pacific regional arms market with Russia and its former East European allies emerging as politically acceptable partners in the region's quest for defence modernization and self-reliance. Russia's competitive bid vis-à-vis Western manufacturers (United States, Britain and France) for supplying Malaysia's fighter aircraft exemplifies this trend.⁴² A related fallout of the end of the Cold

Table 6
 Defence and Social Expenditures Compared:
 Indonesia, Malaysia, the Philippines and Thailand
 (Percentage of Central Government Expenditures)

	1978	1979	1980	1981	1982	1983	1984	1985	1986	1987
Indonesia										
Social	42.4	47.1	46.9	41.4	43.1	46.1	48.5	50.6	51.5	56.8
Defence	15.8	14.7	13.5	12.7	13.9	11.8	12.9	10.6	10.7	8.6
Malaysia										
Social	38.9	37.4	36.5	36.5	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Defence	14.7	16.6	14.8	15.1	n.a.	n.a.	n.a.	n.a.	n.a.	n.g.
Philippines										
Social	49.5	50.2	45.0	46.0	48.9	48.8	44.5	44.7	39.5	n.a.
Defence	15.1	19.7	15.7	14.2	13.6	13.6	12.0	11.9	9.2	n.a.
Thailand										
Social	33.5	35.4	32.8	32.0	33.5	34.1	34.9	34.1	34.7	35.2
Defence	21.7	24.0	21.7	20.2	19.8	19.4	19.8	20.2	19.0	18.7

Social Expenditure Definitions:

Indonesia: General public services and public order; education; health, housing and community amenities; and recreational, cultural and religious affairs and services.

Malaysia: General public services and public order; education; health, social security and welfare; housing and community services; and recreational, cultural and religious affairs and services.

Philippines and Thailand: General public services; education; health, social security and welfare; housing and community amenities; and recreational, cultural and religious affairs and services.

Sources: United Nations, Economic and Social Commission for Asia and the Pacific, *Statistical Yearbook for Asia and the Pacific 1989* (Bangkok: Economic and Social Commission for Asia and the Pacific, 1990).

War is the greater availability of second-hand equipment from the inventories of major supplier nations which can be sold to regional friends and allies at bargain prices. Thailand's attempts to purchase Knox-class frigates and A-7 Corsair aircraft from the U.S. is indicative of this,⁴³ while Indonesia's purchase of thirty-nine vessels from Germany (belonging to the former East German navy) is perhaps the most vivid example of post-Cold War bargain hunting in armaments.⁴⁴

5. *To what extent is the decision-making process on defence allocations driven by economic rationality?* It should be noted that in many countries, defence decision making is not always driven by sound fiscal considerations, or even strategic need, but by political interests, intrabureaucratic rivalry and corruption. For example, in the case of Thailand, it has been said that budgeting is an "area in which the military's influence has been clearly felt. When the military wants budget allocations it makes sure that it eventually gets it."⁴⁵ In the past, Thailand's armed forces have been able to fend off budget cutbacks by parliament by applying pressure on politicians. This is especially true of allocation to the army's secret fund. Referring to the "secret fund" maintained by the Thai army, two prominent Thai academics have argued, "the Thai military is able to have its own way where defence spending is concerned ... the military has a direct, and in the last resort, unchallengeable control over a significant portion of the nation's resources."⁴⁶ Thai defence acquisitions are also affected by interservice politics and rivalry; the recent prominence of the navy and the rise of naval weapon acquisitions has been attributed by the Thai media as the result of its position toward the army-led crackdown on pro-democracy demonstrators in May 1992.⁴⁷ Corruption and the politicization of the decision-making process on defence acquisitions have also been evident in the case of the Philippines.⁴⁸ According to one press report, "In the Philippines, the government's decision to speed up the procurement of 150 British-made *Simba* armoured vehicles and 14 Italian-made S-211 trainer jets was attributed by some rebel soldiers as an effort to raise funds for the presidential campaign of General Fidel Ramos, the eventual winner."⁴⁹

Strategic Rationale

This section will consider the strategic rationale behind increased defence allocations and arms procurement by the four Southeast Asian countries with a view to assessing the extent to which they are based on a "legitimate" need. The assessment will follow the three areas outlined in the framework, namely, achievement of self-reliance, pursuit of national interests and threat perceptions.

Each of the four states included in this study are seeking enhanced self-reliance in defence and security matters. Their defence expenditures and military buildup follow the characteristic evolution of defence capabilities of newly independent states. During the 1960s and 1970s, the demand for arms by developing countries increased substantially due to their efforts at "converting

Table 7
Average Annual GNP Growth Rates in the 1980s and 1990s:
Indonesia, Malaysia, the Philippines and Thailand
(Percentage)

	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991
Indonesia	9.4	1.5	2.6	8.8	6.5	2.6	6.2	4.6	6.9	7.5	6.9	6.7
Malaysia	8.8	-2.8	4.6	3.9	6.7	-1.3	2.5	5.6	9.5	8.6	11.5	9.0
Philippines	5.0	-4.5	2.8	1.5	-8.7	-7.1	4.2	5.1	7.2	5.7	3.9	1.0
Thailand	5.3	10.7	4.1	8.1	6.6	3.0	4.6	9.7	13.4	12.4	10.3	7.2

Sources: U.S. Arms Control and Disarmament Agency, *World Military Expenditures and Arms Transfers 1989* (Washington: U.S. Government Printing Office, 1990); and *World Military Expenditures and Arms Transfers 1991-1992* (Washington: U.S. Government Printing Office, 1994).

small constabulary forces into national armies.”⁵⁰ In Southeast Asia, such a transition was delayed, apart from late decolonization, by the intensity and longevity of communist insurgencies. Following a long period of evolution in a primarily internal security mode (with the exceptions of Singapore and Indonesia for a brief period under Sukarno), the ASEAN countries began shifting towards conventional warfare capabilities in the early 1980s. But this transition was initially focussed on land forces, perhaps reflecting the security concerns raised by the Third Indochina conflict. The late 1980s has seen a shift of emphasis towards naval and air forces which is indicative of the salience of maritime security issues in the post-Cold War regional strategic environment. In any case, the transition from counter-insurgency to conventional warfare has been a natural and inevitable phenomenon which underscores an evolutionary, rather than sudden and alarming, dynamic behind the rising defence expenditures and weapon acquisitions in the region.

Malaysia remained under the security umbrella of colonial powers well into the late 1960s. In the case of the Philippines, the massive U.S. military presence on its soil seriously inhibited the growth of defence self-reliance throughout the Cold War period. Thailand too has been a treaty ally of the U.S., receiving significant amounts of U.S. military assistance after the Vietnamese invasion of Cambodia in 1978. The departure of U.S. forces and bases from the Philippines and the end of the Cambodian conflict has diminished the credibility of the security guarantees offered by the U.S. to regional states, thereby contributing to higher defence expenditures and arms purchases as a means of building greater self-reliance.

The second common factor behind the increased defence allocations by the four Southeast Asian states is a recognition of major national economic and strategic interests especially in the maritime arena. Indonesia and the Philippines have claimed archipelagic status. Indonesia's vast national territory consisting of some 13 000 islands creates the need to develop capabilities for monitoring and enforcement action in the maritime arena. A similar predicament marks the defence priorities of the Philippines. Both Malaysia and Thailand seek enhanced defence capabilities to protect maritime resources and interests, with Malaysia being especially concerned with the Spratly Islands dispute in the South China Sea. In general, the advent of the Law of the Sea Convention has led to an expanded conception of national interests and security for all four states. The proliferation of territorial disputes in the maritime sphere adds to the rationale for acquiring capabilities to protect these interests. Malaysia, for example, is involved in a maritime territorial dispute with every other ASEAN neighbour. This includes its dispute with Singapore over the Pedra Branca Island off the coast of the southern Malaysian state of Johor and with Indonesia over the Sipadan and Ligitan islands in the Sulawesi Sea near the Sabah-Kalimantan border. Malaysia and the Philippines are also parties to the Spratly Islands dispute, which is considered to be a potential regional flashpoint due to the vast, if

still unconfirmed, potential for oil deposits in the surrounding seabed. Thailand contests maritime boundaries in the Gulf of Thailand with Cambodia and Vietnam, and Malaysia, while the Philippines and Malaysia have conflicting claims in the Eastern Sabah-Sulu Archipelago region. Indonesia, while not a party to the Spratlys disputes, has a dispute with Vietnam over the Natuna islands.

Finally, increased defence spending by the four states is also a response to the strategic uncertainties and threat perceptions in the post-Cold War period. As the U.S. military presence in the region diminishes, anxieties have emerged about a possible scramble by regional powers such as China, India and Japan in stepping into the resulting "vacuum." Among these powers, China evokes the most immediate concern.⁵¹ Concerns about China are focussed on the buildup of Chinese naval capabilities and the aggressive pursuit of its territorial claims in the South China Sea. The Soviet force withdrawals from their common border helping Beijing to devote more resources and attention to the South China Sea, and the reduced importance of ASEAN in China's strategic calculations in the wake of Sino-Russian and Sino-Vietnamese rapprochement means that the military and political constraints on China's options on the use of force in support of its strategic objectives in maritime Southeast Asia have been somewhat lessened.⁵² This coincides with an ongoing Chinese program to acquire a "blue water" capability.⁵³ China's brief naval confrontation with Vietnam in 1988 and its subsequent refusal to compromise over the issue of sovereignty over the Spratly and Paracel islands has fed into apprehensions about China's regional strategic designs in the region. India's naval buildup has also caused some disquiet in Southeast Asia, with some analysts linking the recent military buildup by Thailand to a perceived threat from India. Similarly, fear of Japan's reemergence as an independent military power and its efforts to develop a sea lanes defence role extending out for 1000 miles from its shore, is seen as a potentially destabilizing factor by the four states concerned.

Political Impact

As noted, the political impact of defence expenditures includes both domestic and regional dimensions. In the case of the four Southeast Asian states, higher defence expenditures are unlikely to have a significant impact in fuelling greater domestic instability. It is noteworthy that internal security threats in the region as a whole have generally lessened, especially with the decline and collapse of communist movements in all the four states except the Philippines. While armed separatist movements remain active in Indonesia (East Timor, Aceh and Irian Jaya), Thailand (in Southern provinces) and the Philippines (in Mindanao), they are not posing a significant military threat to the central governments. Malaysia and Indonesia are developing a capability for the rapid projection of security forces to suppress internal unrest and this may partly account for their higher

defence expenditures, but there is little question that the primary focus of these increases is to enhance conventional warfare capabilities, rather than to escalate the level of internal repression. Even the Philippines (which continues to buy counter-insurgency weapons) is also aiming for personnel and equipment adjustments to create "a lean, compact, and mobile force" which can carry out conventional (interstate) warfare operations.⁵⁴

The major weapon systems which are being acquired by the four states—such as fighter aircraft (such as F-16, MiG-29 and *Hawk*), precision guided missiles (such a *Exocet*, *Rapier*, *Harpoon*), missile armed patrol craft, larger surface naval platforms (including frigates and helicopter carriers) and submarines, and airborne reconnaissance systems—are not normally designed to be used against armed insurgencies or to put down political uprisings. Rather, these systems and the capabilities they create (such as strike warfare, long-range operations, and rapid force projection) suggest the shift of regional armed forces from counter-insurgency to conventional warfare postures. Possible scenarios of conflict involving such capabilities are likely to involve one's own neighbour rather than domestic threats.

Nonetheless, allocations to defence and internal security in Thailand and Indonesia have attracted attention in the context of their potential to contribute to human rights abuses by the military, abuses which could fuel existing domestic strife. This potential was highlighted in the Bloody May episode in Thailand in 1992 when military units crushed pro-democracy elements protesting the appointment of a military leader as the head of the new government. The infamous Dili shooting incident in Indonesia in November 1991 in which Indonesian armed forces killed over fifty people at a pro-independence rally in East Timor led to international attention to human rights abuses by the Indonesian military. To the extent that higher defence allocations serve as a prop to the military's influence in the political process, their impact in fuelling domestic instability deserves to be taken into account in assessing the requirements of good governance.

A much more serious concern regarding the political impact of higher defence allocations and arms purchases in Southeast Asia relates to the prospects for a regional arms race. In the view of some analysts, the current military buildup in East Asia, including the four case studies, are contributing to a regional "arms race."⁵⁵ In this view, weapon acquisitions are following an "action-reaction" dynamic. Attempts by one regional country to enhance its military capabilities create a heightened sense of insecurity in the mind of its neighbours, prompting the latter to match the capabilities of the former. This interactive process could lead to an overall rise of offensive military capabilities in the region which are perceived to be mutually threatening.

But the evidence for the arms race thesis is not conclusive. Territorial disputes in the region are rather mild and do not compare with the kind of interstate tensions that exist in the case of India-Pakistan, Arab-Israeli, Iran-Iraq

and North Korea-South Korea relations. Second, to the extent that arms purchase decisions are explained by other factors, such as the emergence of a buyer's market, the need for self-reliance and the economic prosperity of the buyers, they need not be mutually threatening. Available evidence suggests that higher defence expenditures and arms purchases in Southeast Asia are being driven by a mix of motives including, but going beyond, intraregional competition. As noted, uncertainties about the military position of extraregional powers such as the U.S., Russia, China and Japan are perhaps a more important, and common, motivating factor.

Nonetheless, the current military modernization program has the potential to become a threat to regional stability. Even if the governments in the region deny the existence of an arms race in the region,⁵⁶ they have acknowledged the risk that increased defence expenditures could deprive them of a "peace dividend."⁵⁷ Moreover, whatever the stated rationale behind their rising defence expenditures and force modernization efforts, its actual impact on interstate relations would depend on the future regional political climate. As the foreign minister of Australia argues: "the sort of precautionary worst case thinking which often characterises strategic planning [in the region] ... could in turn generate destabilising arms races."⁵⁸ Thus, there is a clear need for measures to introduce greater transparency in military profiles and limit the spread of sophisticated weapons as well as a need for confidence-building through a security dialogue process. The donor countries may play a role in the process by encouraging transparency through publication of regular (preferably annual) and detailed reports on defence postures, military spending and arms acquisitions and providing support for multilateral security dialogues and preventive diplomacy measures.

Conclusion

The above study of the defence burden of four Southeast Asian countries leads to a number of conclusions. First, the level of defence spending in these countries has risen, but not necessarily at a dramatic or alarming rate. The basic indicators of the defence burden suggest a modest and evolutionary course of militarization. Overall, the economic impact of defence spending should not pose a threat to developmental objectives at the moment, and there is no clear evidence of any "crowding out" effect. On the other hand, with the exception of the Philippines, there is a strong correlation between high rates of economic growth and increased defence spending. The concerned governments appear sensitive to the economic burden imposed by defence allocations and, with the exception of Thailand, where the military's influence on defence allocations remains quite strong, they seem willing and able to scale down defence programs in response to fiscal constraints. Moreover, the rise in defence spending is due to strategic developments and uncertainties that have enhanced their quest for greater self-reliance, and broadened their conception of national interests. The

political impact of higher defence spending is as yet modest, but this needs to be monitored, given serious prospects for internal strife, human rights abuses and interstate conflict in the region. With the important exception of Thailand (which seems to be pursuing a power projection capability), the military buildup examined here appears to be defensive in intent.

The interest of the donor countries and agencies in the defence burden of their aid recipients is a major development in contemporary global relations, with major implications for prospects for security and development in the Third World. For the developing countries, increased security often follows from greater economic development and prosperity. But high allocations to the traditional military-security sector also have a potential to undermine economic development. Hence, ensuring that security allocations do not become an excessive burden on the economy is a key challenge for policymakers committed to "good governance."

The linkage between defence expenditures and good governance also advances the prospects for arms control in the Third World. Arms limitation measures based on the East-West framework have proved difficult to implement in the developing world. But the interest shown by donors in defence expenditure monitoring and control could make a difference, by bringing greater pressure to bear on Third World policymakers with a tendency to indulge in reckless militarization.

Despite the end of the Cold War, conflict and instability in many parts of the developing world persist. In the absence of superpower rivalry, local and regional conflicts have become a more common feature of the Third World security milieu. While some parts of the Third World have experienced a decline in defence expenditures, the so-called "peace dividend" continues to elude many other parts. Southeast Asia is one such region, where higher defence allocations have gone hand in hand with high economic growth. Increased defence expenditures reflect the region's growing prosperity. Yet, the benefits of economic growth are not evenly distributed. Several countries in the region remain poor and can ill-afford to indulge in unrestrained defence spending.

This paper has considered a number of issues that may help in the understanding of the impact of defence expenditures on the requirements of good governance. It suggests that donor countries and agencies, if they are to pursue defence expenditures in their decisions regarding aid, must do so on the basis of a comprehensive evaluation that goes beyond simple calculations of the economic burden. The framework proposed in this paper is intended to be helpful in providing the basis for such an evaluation, which includes assessing not only the economic indicators and impact of defence expenditures, but also an assessment of the extent to which higher defence spending reflects the legitimate security needs of the concerned state and the impact of defence spending and military acquisitions trends in contributing to regional conflicts and instability which will affect the realization of the goals of development assistance.

Notes

1. *Governance: The World Bank's Experience* (Washington, D.C.: The World Bank), p. 47.
2. *Governance: The World Bank's Experience*, p. 2.
3. See the remarks by Admiral Sudomo, the then coordinating minister for Political and Security Affairs in an interview with *Jane's Defence Weekly*, 28 April 1990, p. 828.
4. "Navy to Build New Bases, Acquire New Ships," *The Straits Times*, 27 October 1992, p. 1.
5. "Indonesian Armed Forces Outline Priorities," *Defense News*, 14 September 1992.
6. "Indonesia Building Two New Bases," AP dispatch, 26 October 1992, p. 1.
7. Interview with *Jane's Defence Weekly*, 26 September 1992, p. 32.
8. "Malaysia: Preparing for Change," *Jane's Defence Weekly*, 29 July 1989, p. 159.
9. The director of Malaysia's military intelligence spoke of uncertainty arising out of rivalry between India and China: "It is common knowledge that China and India are not cordial friends and are competing with each other in military expansion. Such an uncertain situation has made every Southeast Asian country aware that it should have its own defense capability." "Intelligence Chief Reviewed on Threat," FBIS-EAS-90-036, 22 February 1990, p. 41.
10. "Defence Minister Interviewed on Arms Control," FBIS-EAS-91-151, 6 August 1992, p. 41.
11. Keith Scott, "Missiles Possibility in Malaysian Plan," *Canberra Times*, 30 November 1989, p. 5; "KL, Jakarta Not Trying to Start Arms Race," *The Straits Times*, 29 June 1993, p. 15.
12. "Ramos Dismisses Chances of Invasion by Neighbours," FBIS-EAS-92-221, 16 November 1992, p. 36.
13. "Ramos Scales Down Upgrading of the Military," *The Straits Times*, 10 December 1992.
14. "Manila Loses \$3b Yearly to Illegal Fishing, Poaching and Smuggling," *The Straits Times*, 23 June 1993, p. 14.
15. "Ramos Pledges to Replace Aging Air-Force Planes Soon," *The Straits Times*, 2 July 1993, p. 17.
16. "Manila Needs \$3b to Improve Its Air Defences," *The Straits Times*, 1 July 1993, p. 17.
17. "NSC Chief: No Major Military Threat in 5 Yrs," *The Straits Times*, 30 December 1991.
18. "Thai Security Study Highlights Three 'Grave' Problems," *The Straits Times*, 19 June 1993, p. 23.
19. "Senior Officers Urge Build-up of Naval Forces," FBIS-EAS-92-222, 17 November 1992, p. 35.
20. "Thai Navy Considering Buying Military Hardware from Russia," *BBC Summary of World Broadcasts*, FE/1618, 20 February 1993, p. A2/1.
21. Gwen Robinson, "Thailand's Big Shopping List," *Asia-Pacific Defence Reporter*, May 1990, p. 14.
22. "Thailand," *Asia-Pacific Defence Reporter*, February 1991, p. 25.
23. "Navy Chief on Maritime Interests, 'Blue Navy'," FBIS-EAS-91-198, 11 October 1991, p. 59.
24. "Thai Assault Ship Gets Go-Ahead," *Jane's Defence Weekly*, 2 February 1991, p. 142.
25. "Defence Plans for Eastern Seaboard," *Asia Defence Journal*, September 1991, p. 87.
26. "Thai Navy Considering Buying Military Hardware from Russia," *BBC Summary of World Broadcasts*, FE/1618, 20 February 1993, p. A2/1.
27. In addition, Thailand is considering purchase of either AMX strike fighters from an Italian-Brazilian consortium or BAe Hawk fighter from Britain and 20 PC-9 Pilatus trainer aircraft from Switzerland.
28. The Thai navy is also seeking up to four Knox-class frigates, three P3-A Orion maritime patrol aircraft, and 30 A-7 Corsair fighters from the U.S.
29. This problem is of course true of developing countries in general. For a discussion of the problems of data on Third World defence expenditures, see: Nicole Ball, *Third World Security Expenditure: A Statistical Compendium* (Stockholm: Swedish Institute of International Affairs, 1983), pp. 5-50.
30. Tim Huxley, *Indochina as a Security Concern of the ASEAN States: 1975-1981*, Ph.D. Dissertation, Department of International Relations, Research School of Pacific Studies, Australian National University (1986), p. 334.
31. Amitav Acharya, *An Arms Race in Post-Cold War Southeast Asia: Prospects for Control*, Pacific Strategic Papers No. 8 (Singapore: Institute of Southeast Asian Studies 1994), p. 16.
32. See Harris, "The Determinants of Defence Expenditure in the ASEAN Region," David D.H. Denoon, "Defence Spending in ASEAN: An Overview," in Chin Kin Wah, ed., pp. 48-71; Andrew L. Ross, "The International Arms Trade, Arms Imports, and Local Defence Production in ASEAN," in Chandran Jeshurun, ed., *Arms and Defence in Southeast Asia* (Singapore: Institute of Southeast Asian Studies, 1989), pp. 1-41.
33. "Lean, Mean SAF by 2000," Interview with Defence Minister Dr. Yeo Ning Hong, *The Straits Times*, 1 July 1993, p. 24.
34. The Malaysian Armed Forces' modernization program is guided by an objective "To limit the expansion of our armed forces to the extent that it does not adversely affect

- the normal rate of socio-economic development." Cited in David Boey, "Singapore and Malaysia: Defence Modernisation and Cooperation," Paper Presented to the Workshop on "Arms and Defence Planning in Southeast Asia," 18–19 June 1993, Singapore, Institute of Southeast Asian Studies, p. 22.
35. *International Herald Tribune*, 29 October 1992.
 36. Andrew Mack, "The Arms Build-up," *The Independent Monthly*, October 1990.
 37. Lindsey Shanson, "Building on Offsets," *Jane's Defence Weekly*, 15 December 1990, p. 1248.
 38. David Boey, "Industry Built on Ambition," *Jane's Defence Weekly*, 22 February 1992, pp. 287–289.
 39. "Aircraft Agreement Signed with Italian Firm," FBIS-EAS-90-046, 8 March 1990, p. 48; Robert Karniol, "Philippines Plans PCF, APC Buy," *Jane's Defence Weekly*, 9 September 1989; "Philippines Build's Own Defence Industry," *Australian Financial Review*, 8 August 1988, p. 42.
 40. Joris Janssen Lok, "Malaysians to Buy UK-Built Frigates," *Jane's Defence Weekly*, 11 April 1992, p. 607.
 41. "Asia's Arms Race," *The Economist*, 20 February 1992, p. 20.
 42. Michael Vatikiotis and Michael Zyla, "Scrambled Jets," *Far Eastern Economic Review*, 18 February 1993, pp. 10-11; "Russia Vows to Resolve Confused MiG-29 Sale," FBIS-EAS-92-217, 9 November 1992, p. 31; "Russia Makes New Bid to Sell MIG-29s to Malaysia," Reuters Dispatch, 2 March 1993, p. 1; John Helmer, "Malaysia Prefers MIG to the F-16," *Australian Financial Review*, 18 December 1992, p. 10.
 43. Robert Karniol, "Thai Navy Seeks Knox Frigates," *Jane's Defence Weekly*, 19 October 1991, p. 705; Robert Karniol, "Thai Navy to Buy ex-USN Corsairs," *Janes' Defence Weekly*, 3 August 1991, p. 192.
 44. Michael Richardson, "Indonesia to Buy Part of Ex-East German Navy," *International Herald Tribune*, 5 February 1993.
 45. Chai-Anan Samudavanija and Sukhumbhand Paribatra, "In Search of Balance: Prospects for Stability in Thailand in the post-CPT Era," in Kusuma Snitwongse and Sukhumbhand Paribatra, eds., *Durable Stability in Southeast Asia* (Singapore: Institute of Southeast Asian Studies, 1987), p. 209.
 46. Samudavanija and Paribatra, "In Search of Balance," p. 210.
 47. See "Regional Impact of Navy's Expanded Role," *The Nation*, 16 November 1992, p. B6. It is significant that following the bloodshed, the navy commander continued to hold his post while the chiefs of army, air force and the supreme command were replaced. Until then, the navy had been a poor cousin of the army and the air force, a fact that dates back to the unsuccessful "Manhattan" coup attempt by a group of naval officers against the government of Field Marshal Plaek Pibunsongkhram in 1951.
 48. The editorial comments by a Thai newspaper, *The Nation*, are revealing: "There is a whole nexus from the rank of lieutenant colonel up to the generals who have mastered the art of earning private revenues together with the arms procurers, the agents and the suppliers. The end result is that Thailand pays for inferior quality weapons that are grossly overpriced and make little strategic sense." "Military Spending Practices Criticized," FBIS-EAS-93-023, 5 February 1993, p. 50.
 49. FBIS-EAS-92-077, 21 April 1992, p. 32.
 50. Keith Krause, "Arms Imports, Arms Production, and the Quest for Security," in Brian L. Job, ed., *The Insecurity Dilemma: National Security of Third World States* (Boulder, CO: Lynne Reiner, 1992), p. 132.
 51. "ASEAN should be 'wary of China's military expansion'," *The Sunday Times* (Singapore), 29 March 1992.
 52. Michael Leifer, "The Maritime Regime and Regional Security in East Asia," *Pacific Review*, vol. 4, no. 2 (1991), pp. 130–133.
 53. According to a recent study of China's naval buildup, the mission of the Chinese navy by the end of the century is likely to include: (1) a relatively large radius of action, reaching the first island chain of the North and South China Seas; (2) a strong rapid response capability; (3) reasonably effective amphibious power; (4) independent air protection and attack forces; and (5) a credible second-strike nuclear capability. You Ji and You Xu, "In Search of Blue Water Power: The PLA Navy's Maritime Strategy in the 1990s," *Pacific Review*, vol. 4, no. 2 (1991), p. 141.
 54. "Military Draws Up Plans to Trim Down Troops," *The Manila Chronicle*, 28 November 1990, pp. 1, 9.
 55. Tim Huxley, "South-East Asia's Arms Race: Some Notes on Recent Developments," *Arms Control*, vol. 11, no. 1 (May 1990), pp. 69-76. An earlier view characterizing the ASEAN military buildup as a "slow motion arms race" or "interactive weapon acquisition" was advanced in Ron Huisken, *Limitations of Armaments in Southeast Asia: A Proposal*, Canberra Papers on Strategy and Defence no. 16 (Canberra: The Australian National University, Strategic and Defence Studies Centre, 1977).
 56. In the words of the former chief of Malaysia's Defence Forces: "There is no arms race here and I am sure one will not occur," *The Straits Times*, 25 July 1992.
 57. Opening address by Dr. Yeo Ning Hong, Minister for Defence, Singapore at the First Asia-Pacific Defence Conference, Singapore, 26 February 92, pp. 2–3.
 58. Cited in Michael Vatikiotis, "Assessing the Threat," *Far Eastern Economic Review*, 20 June 1991, p. 29.

Appendix

Arms Acquisitions by Indonesia, Malaysia, the Philippines and Thailand: 1989-94

Indonesia: 12 F-16 Fighting Falcon fighter aircraft (8 F-16As and 4 F-16Bs) from the U.S., delivered in 1989; 6 C-130 Hercules transport planes from the U.S.; delivery taken of the last 2 Van Speijk-class (Ahmad Yani-class) frigates from the Netherlands (out of a total of 6 acquired between 1986-90); 6 Airtech CN-235-100 medium-range maritime patrol aircraft being delivered; 3 Type 209/1200 Cakra-class submarines (to be delivered 1995-96); 16 Parchim-class corvettes (960-1200 tons), 9 mine counter-measure vessels, 12 landing ships and 2 support vessels purchased from Germany in 1992 and delivered in 1993; 44 Hawk 100/200 combat aircraft ordered from Britain in 1993 (14 Hawk 100s and 10 Hawk 200s) to be delivered by 1995; is discussing the purchase of 16 additional Hawk aircraft, with delivery beginning in 1996; consideration of purchase of additional F-16 fighter aircraft (up to 42?) from the U.S.; consideration of purchase of 4 E-2C Hawkeye airborne early warning and maritime surveillance aircraft from the U.S.. Indonesia also has a long-term domestic construction plan for up to 23 Type FSG-90 frigates, 4 submarines, 16 fast patrol boats and a class of 1200-ton corvettes. New naval headquarters is being built at Teluk Ratai in southern Sumatra at a cost of \$2.8 billion.

Malaysia: 2 Yarrow 106-metre, 2200-ton guided missile frigates (upgraded from an original plan for corvettes) with *Seawolf* point defence missiles from Britain; 28 BAe Hawk 100/200 aircraft from Britain (2 squadrons: 10 Hawk 100 and 18 Hawk 200) at a cost of \$741 million, to be delivered in 1993-95; 4 Beech B200T Super King Air maritime patrol aircraft for 1994 entry into service; unspecified number of *Exocet* MM40 surface-to-surface missiles; 57-mm and 30-mm guns (?); 72 patrol craft for the Malaysian Customs Service; planned acquisition of 4 light maritime surveillance aircraft; *Starburst* anti-aircraft missiles from Britain; 42 Korean Infantry Fighting Vehicles (KIFVs) ordered and delivered in 1993; 35 Airtech CN-235M transport aircraft and 2 NAS-332 Super Puma helicopters ordered from Indonesia in 1994; 8 F/A-18D *Hornet* fighter/ground attack aircraft from the U.S., with delivery expected from 1996; negotiations are underway for 18 Russian MiG-29 *Fulcrum* fighters; is discussing the purchase of *Kilo*-type submarines from Russia; it is thought likely that additional F/A-18s will be ordered; plans to acquire 27-28 Offshore Patrol Vessels and 6 shipborne helicopters; has requirements for attack helicopters, air defence radars, a hydrographic vessel, electronic warfare systems and additional maritime patrol aircraft; a new naval base is to be built near Kota Kinabalu at a cost of \$148 million; in recent years a number of MoUs promoting bilateral defence industrial cooperation (including procurement) have been signed: with the U.K. (1988); Brunei (1992); and Chile, France, India and Italy (1993).

The Philippines: 3 Australian-built 30-kt, 57-metre patrol boats for about U.S.\$171.97 million armed with 4 40-mm guns; 28 fast patrol boats being acquired from Halter Marine of the U.S. (with 20 to be locally built); 3 38-foot *Cormoran*-type fast patrol boats equipped with *Exocet* missiles from Spain at a cost of \$158 million ordered in 1990 (1991?); 6 medium-landing ships; 4 mine counter-measures vessels; 150 *Simba* armoured vehicles ordered from Britain with deliveries commencing in 1993; 18 SIAI-Marchetti S.211 trainer/light attack aircraft from Italy; 16-18 SIAI-Marchetti SF.260TP light aircraft from Italy at a cost of Peso 51.951 million; 18 *Albatross* strike trainer aircraft from the Czech Republic; 15 OV-10 *Bronco* counter-insurgency aircraft from the U.S.; 22 MD500

Defender light combat helicopter, delivery begun in late 1990; additional Bell UH-1H utility helicopters from the U.S.; 18 MG-520 attack helicopters; is discussing the purchase of *Mirage 5* fighters from Belgium; considering the purchase of 10 medium-range maritime patrol aircraft.

Thailand: Two amphibious landing ships (tank) (another on order); two minehunters; three Khamronsin-class ASW corvettes from Britain; six Chinese-built frigates (Type OH53HT, OH53HT (H) and Type O25T); a 12 000-ton helicopter carrier from Empressa of Spain at a cost of \$285 million; 6 SH-60B Seahawk ASW/anti-ship helicopters ordered from the U.S. in 1993 for U.S.\$140 million, for delivery in 1997; 20 Pilatus PC-9 trainer aircraft from Switzerland for Baht 2,219,368,140, with delivery completed in 1992; 30 L-39 light attack aircraft ordered from the former Czechoslovakia, with agreement for an initial batch of 12 planes reported in April 1992; Thai cabinet approval has been won for the purchase of 6 Alenia G.222 transport aircraft from Italy for U.S.\$117 million (Baht 2.9 billion); the U.S. is considering a Spanish request for the resale of 8 AV-8S and 2 TAV-8S Matador (Harrier) fighters to Thailand, for delivery no sooner than 1997; negotiations are underway for the purchase of 38 A-7E *Corsair II* fighters from the U.S.; is discussing the purchase of approximately 10 F-5A/B *Freedom Fighters* from South Korea, the purchase of 100 Leopard 1 main battle tanks from Germany and *Kilo*-type submarines from Russia. Future plans include up to four Knox-class frigates and three P-3A *Orion* maritime patrol aircraft from the U.S.; additional squadron of 18 F-16A/B fighter aircraft from the U.S. to complement its existing squadron of 18 aircraft; either AMX strike fighters from an Italian-Brazilian consortium of BAe Hawk fighter from Britain and 3 E-2C *Hawkeye* airborne early warning and control aircraft.

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