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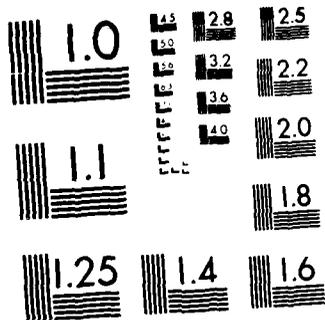
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SECURITY CLASSIFICATION OF THIS PAGE (When Data Entered)

REPORT DOCUMENTATION PAGE		READ INSTRUCTIONS BEFORE COMPLETING FORM
1. REPORT NUMBER	2. GOVT ACCESSION NO.	3. RECIPIENT'S CATALOG NUMBER A194050
4. TITLE (and Subtitle) Assessment of Economic, Political, and Strategic Development in Southeast Asia: Significance to Thailand.		5. TYPE OF REPORT & PERIOD COVERED Study Project
7. AUTHOR(s) Colonel Prathes Decharatanachart		6. PERFORMING ORG. REPORT NUMBER
9. PERFORMING ORGANIZATION NAME AND ADDRESS US Army War College Carlisle Barracks, PA 17013		8. CONTRACT OR GRANT NUMBER(s)
11. CONTROLLING OFFICE NAME AND ADDRESS		10. PROGRAM ELEMENT, PROJECT, TASK AREA & WORK UNIT NUMBERS
14. MONITORING AGENCY NAME & ADDRESS (if different from Controlling Office)		12. REPORT DATE 18 April 1988
		13. NUMBER OF PAGES 47
		15. SECURITY CLASS. (of this report) UNCLASSIFIED
		15a. DECLASSIFICATION/DOWNGRADING SCHEDULE
16. DISTRIBUTION STATEMENT (of this Report) Approved for public release; distribution is unlimited.		
17. DISTRIBUTION STATEMENT (of the abstract entered in Block 20, if different from Report)		
18. SUPPLEMENTARY NOTES		
19. KEY WORDS (Continue on reverse side if necessary and identify by block number)		
20. ABSTRACT (Continue on reverse side if necessary and identify by block number) This assessment of ASEAN's success determines that such success has been largely confined to public diplomacy and cultural interchange. The ASEAN states oppose Vietnam's occupation of Kampuchea (Cambodia) and the growth of Soviet influence in the region; however individual ASEAN states do not share a common perception of the long-term external threat to the region. This document is the assessment of economic, political and strategic developments in Southeast Asia which could be of significance to Thailand and its interests during the period 1987 to 1997.		

USAWC MILITARY STUDIES PROGRAM PAPER

ASSESSMENT OF ECONOMIC, POLITICAL AND STRATEGIC DEVELOPMENTS
IN SOUTHEAST ASIA: SIGNIFICANCE TO THAILAND

AN INDIVIDUAL STUDY PROJECT

by

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U.S. Army War College
Carlisle Barracks, Pennsylvania 17013
18 April 1988

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ABSTRACT

AUTHOR(S): Prathes Decharatanachart, COL, ARTY

TITLE: Assessment of Economic, Political and Strategic Development in Southeast Asia: Significance to Thailand

FORMAT: Individual Study Project

DATE: 18 April 1988 PAGES: 44 CLASSIFICATION: Unclassified

The Association of Southeast Asian Nations (ASEAN) has been far more successful than other regional organizations. Its success has been largely confined to public diplomacy and cultural interchange. The ASEAN states oppose Vietnam's occupation of Kampuchea (Cambodia) and the growth of Soviet influence in the region; however, individual ASEAN states do not share a common perception of the long-term external threat to the region.

This document is the assessment of economic, political and strategic developments in Southeast Asia which could be of significance to Thailand and its interests during the period 1987 to 1997.

I also appreciate the assistance and suggestions given by the staff of the U.S. Army War College; Colonel John F. Lewis, USAF, my sponsor, and Colonel Neil S. Hock, the project Adviser.

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ASSESSMENT OF ECONOMIC, POLITICAL AND STRATEGIC DEVELOPMENTS
IN SOUTHEAST ASIA: SIGNIFICANCE TO THAILAND

CHAPTER I

INTRODUCTION

The involvement of the Soviet Union and the United States in Southeast Asia will continue to have major impact on development in the region. The region includes the ASEAN nations (Philippines, Indonesia, Brunei, Singapore, Malaysia and Thailand); the Indochina states (Vietnam, Kampuchea and Laos); and Burma. The superpowers' relationships with the different countries are significant in strategic terms, and particularly important to Thailand and its interests. Developments in China and Japan are also very important to the region because of the considerable economic, political and military potential of these two countries.

The objective of this paper is to forecast the likely economic, political and strategic developments in Southeast Asia which could be of significance to Thailand and its interests during the period 1987 to 1997.

CHAPTER II

THE ASSOCIATION OF SOUTHEAST ASIAN NATIONS (ASEAN)

The Association of South East Asian Nations (ASEAN), is comprised of the countries of Brunei Darussalam, Indonesia, Malaysia, Philippines, Singapore and Thailand. ASEAN encompasses a total land area of 3,097,948 sq. kms. and has a population estimated in 1985 at 279,000,000. Its total agricultural land area is 295,593,000 hectares. The region produces about 95 percent of the world's output of abaca, 8 percent of its natural rubber, 83 percent of its palm oil, 67 percent of its tin and copra, 60 percent of its copper, and substantial quantities of sugar, coffee, timber, various tropical fruits and minerals. It has substantial sources of food and energy, a large sea territory and vast forest areas.

Aside from its abundant natural resources, the region is a developing market with a strong potential demand for consumer goods, capital goods and technical skills.

The ASEAN region also has one of the world's fastest economic growth rates. Projected annual growth rates in most of these countries ranges from five to seven percent. The ASEAN nations as a group (with the possible exception of the Philippines) have experienced remarkable economic growth over the past several years. This has been largely achieved as individual efforts by member countries, with only a small amount attributable to intra-ASEAN trade and industrial cooperation. The tendency for parochial interests to overshadow regional cooperation has been evident from the outset and is a long way from being resolved. It will persist for many years, probably to the detriment of even greater economic progress. The effects of the world recession have been felt in ASEAN economics in the last year or two. Growth has slowed considerably, leaving many of the ASEAN countries with ambitious

programs that cannot be sustained. However, ASEAN countries are generally achieving growth rates which compare favorably with other countries of the world.

The main objectives of the association are stated in the ASEAN Declaration:

- o To accelerate the economic growth, social progress and cultural development in the region through joint endeavors in the spirit of equality and partnership;
- o To promote regional peace and stability through abiding respect for justice and the rule of law in the relationship among countries of the region and adherence to the principles of the United Nations Charter;
- o To promote active collaboration and mutual assistance with regard to matters of common interest in the economic, social, cultural, technical, scientific and administrative fields;
- o To provide assistance to each other in the form of training and research facilities in the educational professional, technical, and administrative spheres;
- o To collaborate more effectively for the greater utilization of their culture and industries, the expansion of their trade (including the study of the problems of international commodity trade), the improvement of their transportation and communication facilities and the raising of the living standards of their peoples;
- o To promote Southeast Asian studies;
- o To maintain close and beneficial cooperation with existing international and regional organizations with similar aims and purposes, and to explore all avenues for even closer cooperation among themselves.

The Philippines

The Philippines is the nation within ASEAN whose economic circumstances give most cause for concern. The economy has not developed as quickly as others and the substantial overseas debt which must be serviced has kept the country under continual stress. Sugar production is an important part of the Philippines economy. Consequently, a recent slump in the world sugar market has caused production to be sharply curtailed, which has added to already serious socioeconomic problems within the country. There are few promising indications in the world economy which would suggest an upturn for the Philippines; and while the government does have some ability to improve the nation's economic performance, results are likely to be slow in coming.

While economic prospects remain bleak, internal political and security prospects fare little better. The recent change of government has done little to provide political stability. Pro-Marcos and pro-Aquino groups are appropriately matched to ensure spirited competition for some time to come. In addition to economic and political instability, the Philippines has to contend with two distinct and quite powerful insurgency groups. Government forces are hard pressed to control the two factions.

Because of its uninspiring economic performance and a quiescent border dispute with Malaysia, the Philippines sits less easily in ASEAN than the other members. Nevertheless, it is of great importance to the region since it is host to the United States military installations at Subic Bay and Clark Air Base.

The Philippines poor economic performance has given encouragement to dissident factions, and this is unlikely to change in the immediate future. This and continued internal security problems have kept the government under

continual pressure. The stability of the nation is therefore suspect--and with it, the future of the United States bases.

Because of its geographical distance from the ASEAN states and, specifically, from Indochina, Manila's security problems are different from those of the other ASEAN members. Close military, economic and political relations with the United States have been the cornerstone of Manila's foreign policy since independence. Security concerns center around its defense alliance with Washington, creating a sense of detachment from the rest of ASEAN. A corresponding amount of independent action can be detected in Manila's security policies and perceptions. At present, however, the principal preoccupation of the government is the domestic threat, emanating mainly from the communist New People's Army, and, to a lesser extent, the Muslim Moro National Liberation Front. Because it is so engrossed with its internal problems, Manila is perceived in ASEAN as unlikely to be much concerned over the Kampuchean issue. But this does not mean that Manila has not expressed concern over external threats. China has, in the past, been viewed as a major threat--in line with American security policies in Southeast Asia. This concern contributed to Manila's accession to SEATO and later its involvement in the Vietnam War.

Soviet-Philippine relations have never been close even though they have improved perceptibly since the mid-1970's. Increasingly, however, Manila has become concerned over the activities of Soviet naval forces in the region, especially around the Philippine archipelago. There has been a growing Soviet naval presence in the South China Sea as well as overflights by Soviet reconnaissance aircraft--which former President Marcos described as "not frequent, but sufficient enough to cause alarm."¹ However, Manila does not

foresee the Soviet Union launching a strike against the Philippines, except in an all-out war against the United States.

The past year has seen truly remarkable development in the Philippines. Americans are deeply impressed with the achievements of the Philippines in the short time since the February 1986 revolution. President Aquino and her government inherited social, economic, and security problems on a scale rarely encountered by contemporary political leaders. Her wisdom, grace under pressure, and affection for her people have won the admiration of Filipinos and all freedom loving peoples.

Yet, the Philippines' journey to democracy has only just begun and much remains to be done if President Aquino is to succeed in her efforts to lead the Philippines to a stable and prosperous future. Despite the gains of the past year, the communist insurgency has not dissipated. The insurgents have not rejoined Philippine society and many of the social and economic problems which begot the insurgency remain. Thus, the Philippines needs strong support from the United States to ensure that the government has sufficient economic and security resources to complete the transition to permanent democratic government.

Indonesia

Indonesia's economy has developed well over the last several years but it has been heavily dependent on oil revenues. Economic growth has now been substantially reduced by the reduction in oil prices and by the difficulties being experienced by some Indonesian refineries. If Indonesia does not adopt policies that deal with the oil price decline and lay the foundations for a resumption of development momentum, reserve drawdowns and high levels of external borrowing will result in debt service ratios that will remain high for several years. Indications are that the Indonesian government is capable

of and prepared to adopt appropriate policies and in so doing may avoid a potentially destabilizing influence in the region.

Indonesia has a population problem which is as much one of population distribution as one of size. The government solution to this problem is to move people out of overcrowded areas to underdeveloped areas--a policy of "transmigration." The dissent this has generated, together with bombings and arson (thought to be the work of religious groups protesting recently introduced legislation undercutting the legitimacy of established Islamic organizations) has focused Indonesian attention on internal security matters. Indonesia has a history of dealing effectively with such matters and will probably do so again.

Indonesia's foreign policy differs slightly from that of other ASEAN members and sometimes causes friction. Indonesia is less strident in its condemnation of Vietnam over the Kampuchean situation because China is considered to be more of a long-term threat than Vietnam. Therefore, Vietnamese rapprochement with the West (and with the United States, in particular) is hoped for. Indonesia can be expected to cautiously cultivate its military relations with Vietnam as a counterpoise to the perceived long-term threat from China. If this happens it could cause increased friction between Indonesia and other ASEAN nations.

Indonesia does not rate highly the idea of a Soviet threat to Southeast Asia. Indonesia is primarily concerned with internal threats posed by communist-led insurgencies (although much less so than in the past), Muslim fundamentalists, and regional separatists--rather than with foreign threats. In this regard, the Indonesian leadership is not unduly alarmed by the growing Soviet military build-up in the region because this is seen largely as a Soviet response to the emerging U.S.-Chinese strategic relationship, with

little or no regional significance. Indeed, Indonesian leaders do not believe that the Soviets are seeking a permanent naval presence in Southeast Asia. Indonesia views the Soviet Union as having little chance of dominating the region. The Indonesians take such a view because of the Soviet Union's physical remoteness, its economic weaknesses, and the fact that the Soviets do not see Southeast Asia as a vital region. Because of these and other ideological/psychological reasons Southeast Asian leaders are reluctant to move politically closer to Moscow. However, the main reason the Soviet Union is not viewed as a threat is because the Indonesian leadership perceives China as a much greater danger in terms of possible external aid to subversive, insurgent elements or to a state which China would support in an intraregional dispute. The following factors have conditioned this perception:

- o China's geographic proximity--compared to the Soviet Union's distance;
- o The fear that China harbors desires to bring the region into its own sphere of influence;
- o China's strong racial and cultural affinity with the region;
- o The presence in Southeast Asia of some 20 million overseas Chinese who remain economically influential;
- o The fact that in the past China has encouraged instability in the region through its support of indigenous communist parties (many of whose members were ethnic Chinese) and with which China has refused to renounce its ideological and moral ties;
- o China's alleged involvement in the 1965 "coup" attempt in Indonesia;
- o The West's assistance in China's "Four Modernizations."

In the light of these strategic perceptions, Indonesia responded to the Soviet-Vietnamese alliance and Vietnam's invasion and occupation of Kampuchea differently from the other ASEAN members--even though the external

manifestation of ASEAN solidarity was maintained in international forums. Indeed, on a number of occasions, Indonesian leaders have expressed sympathy for Vietnam's predicament. Not surprisingly, Indonesia was the only country in ASEAN to view positively Gorbachev's July 1986 Vladivostok speech: the Indonesian Foreign Minister stated that "the Soviet Union recognized the political diversity of the region" and indicated his "readiness to have peaceful coexistence in the real sense and signalled a change of direction in Moscow's Asia-Pacific policy."² The growing warmth in their current relationship can probably be explained by these factors:

- o Jakarta's belief that Gorbachev's Soviet Union intends to be a more constructive actor in the Asia-Pacific region;
- o Indonesia's need to diversify its trade relations. Due to the glut in the oil market there exists a particular need to find Eastern European markets for non-oil commodities';
- o The view that Indonesia should respond to China's growing power and influence in the region, a view reinforced by Beijing's closer economic political and military relations with the United States, other Western countries, and Japan;
- o The belief that as the largest country in Southeast Asia, Indonesia should be playing a more important international role outside the ASEAN framework.

Because of this strategic perception, the Indonesian leadership views the Soviet Union's presence in Southeast Asia as legitimate, and sees Soviet involvement in Vietnam as signifying Moscow's wish to be taken into account in the security affairs of the region. Inherent in Indonesian thinking is the idea that as long as a U.S. presence in the region is maintained, there is no

reason to fear the Soviet's growing visibility since this acts as a counterweight to the perceived Chinese danger.

Brunei

Brunei's economy is almost entirely reliant on oil and natural gas which together account for 72 percent of the country's gross domestic product and 99 percent of its exports. Fluctuations in world prices for these commodities, therefore, have a major impact on the country. However, Brunei's large external reserves can cushion the economy against price fluctuations and give the government time to implement changes to meet changed world circumstances. Ways to diversify the economy have already been contemplated including a move into the high technology, microchip and optics industries. While changes are still some time off, manpower constraints in Brunei are a difficult problem which will have to be solved. Past affluence will probably keep the national economy out of any trouble that would be serious enough to destabilize the country to any significant degree.

Since independence in 1984, Brunei has emphasized the continuity of major policies, retaining the Sultan as the paramount authority in many areas. The position of the majority Malay race has been retained, as have deliberately restrictive laws concerning minority ethnic groups. Some citizens hope for parliamentary democracy but this is a long-term aim and should not be unduly destabilizing.

As an Islamic country Brunei has concentrated on external ties with other Islamic countries as well as a consolidation of its position in ASEAN. Brunei has established particularly close links with Singapore and conducts military exercise with Singapore's Armed Forces. If Brunei can continue to avoid some of the excesses of Islamic Fundamentalism it will continue to contribute to the stability of the region. The danger, however, is that by strengthening

ties with more radical Islamic countries Brunei could bring tension into relationships with its regional partners.

Malaysia

Commodity price uncertainties have caused the Malaysian economic expansion to slow in the last year. Malaysia is heavily dependent on primary products for export earnings. The downward spiral in most commodity prices has adversely affected tin, rubber and palm oil prices. Consequently, Malaysia has increased crude oil production to cushion the impact. Both the Prime Minister and the Finance Minister have been prepared to make bold policy decisions aimed at reducing Malaysia's dependence on foreign commodities and at building up secondary industries. With such decisions being taken, when necessary, the Malaysian economy is likely to expand and diversify in the next several years, albeit at a slower rate than planned.

Although the economy has sound prospects, the internal distribution of wealth between Malays (Bumiputras) and other ethnic groups continues to cause socioeconomic problems, which have long been recognized, but for which solutions have been slower in implementation. Unless the government can make more visible progress in this area, it has the potential to cause substantial internal problems.

There are some dissident groups currently operating in Malaysia and, as already mentioned, the ethnic mix and inequitable distribution of wealth has the potential to create more problems in the future.

Malaysia projects an image of confidence and is striving to take a more independent stance in international affairs. Thailand, as an immediate neighbor has received special attention which, in turn, has caused Malaysia to suppress its natural sympathy with the Indonesian view of Vietnam as a buffer against Chinese expansionism. While Malaysia remains concerned about

communist insurgency in the Thai-Malaysian border area, an emphasis on cooperation with Thailand will continue to prevent any improved relations with Vietnam.

The potential danger of Soviet military power was made glaringly clear to Malaysian leaders in March 1984 when a Soviet Navy anti-submarine warfare helicopter from the aircraft carrier Novorossiysk intruded into Malaysian airspace. Malaysia's perceptions of Soviet presence and activities in the region were most lucidly articulated by Prime Minister Mahathir Mohamad at the international Monetary Conference in Hong Kong in June 1985. He warned that although "the Soviet danger has been the one that looms most ominously over everything that happens in the region, the Soviet bogey seems overplayed."³ While arguing that Moscow has no specific intention to commit aggression in any part of the Asia-Pacific region, he described seven task-oriented and three non-task specific reasons for the massive deployment of Soviet military assets in the region:

- o As part of the global military balance with the United States;
- o To counter the Chinese threat;
- o To aid Vietnam, from whom it gains invaluable military facilities;
- o To secure Siberia;
- o To demonstrate military and political credibility to friends and foes alike;
- o To intimidate Japan;
- o Bereft of the economic, ideological, cultural, political and diplomatic capabilities of its adversaries. The Soviets would be faced with a steady and dramatic deterioration of the correlation of forces in its favor in the Pacific. The Soviets, as a supremely undimensional power (which only

possesses military assets), have no choice but to respond militarily to either prevent deterioration and/or improve its position;

- o To achieve full superpower status, which is only attainable through the deployment of its primary capabilities--its military forces;

- o Having built up massive military forces, Moscow must deploy them somewhere;

- o It is only natural for the Soviet Union to deploy its military forces in Asia and the Pacific because the Soviet Union is not only a European state but also an Asian and Pacific State.

An important consideration--regarding the Malaysian perception of the Soviet Union--is the belief that China is the main long-term threat. Kuala Lumpur's fears are conditioned by: (1) the ongoing Malayan Communist Party insurgency, which was vigorously backed by China in the 1950's and 1960's and which is still morally and ideologically supported by Beijing; and (2) by the presence of a large ethnic Chinese community which results in competitive (and often strained) Malay-Chinese communal relations. In this regard, Kuala Lumpur's antipathy towards Beijing is reflected in the Malay leadership's projection of ethnic antagonism towards the Chinese, in general.

Singapore

For some years Singapore has had a rapidly expanding economy which has recently been badly affected by the world recession. The downturn in the economy was not recognized (or at least admitted) until recently when projected growth rates were not met. Wages, which had risen rapidly during the growth years, eroded the advantage of cheap labor which had allowed rapid expansion. Now, Singapore finds itself competing more with the developed countries than with the Third World.

Now that Singapore has recognized the problem some measures will be required. Singapore is working towards increased trade with China to broaden its export base. It is specifically attempting to gain more access to U.S. markets and it is advocating that the West put pressure on Japan to open more of its markets. However, these courses are unlikely to be successful.

Despite Singapore's difficulties and the recession, consistent surpluses in balance of payments have led to record achievements. Singapore has a very good chance of quickly overcoming its present economic difficulties, thereby retaining its place as one of the most stable nations in the region.

Of all the Southeast Asian countries, Singapore probably has the most hardline declaratory view of the Soviet Union. Its Foreign Minister has argued that:

. . . we see the emergence of the Soviet Union as a dominant superpower as the biggest threat to peace in the region. The Russians have made it very clear that they want to dominate the world, and part of the plan covers the use of client states like Vietnam. . . . The Soviet Union has in the past few years proved that it intends to carry out its plans.⁴

Singapore's leaders perceived a weakening of America's will as well as its naval power in the region. This was seen as dangerous because the United States-dominated status quo was viewed as being favorable and beneficial to the Republic. More ominous was the expansion of the Soviet military presence in the region and Vietnam's military alliance with the Soviets: the combination prompted the Republic's leaders to adopt a "high profile foreign policy," which in substance meant being anti-Soviet and anti-Vietnam. The Vietnamese invasion of Kampuchea, which was supported and endorsed by the Soviets, followed by the Soviet invasion of Afghanistan, only confirmed the Singapore leadership's worst fears. These were further reinforced by Vietnam's: intransigence in continuing its occupation of Kampuchea, its

policies towards its ethnic Chinese, its seasonal military campaigns against the Khmer resistance forces, and its frequent military incursions into Thailand. In this regard, Singapore's anti-Soviet stance can be explained by the following factors:

- o A deep sense of vulnerability--due to its small size and its limited resources;

- o A concern with regional stability in view of its near total dependence on foreign investments and trade;

- o A concern over the expanding development of Soviet naval and air power in the region;

- o A reaction to what has been perceived as a changing balance of power in Southeast Asia in favor of the Soviet-Vietnamese "camp;"

- o A belief that the Kremlin encouraged and financed the Vietnamese invasion of Kampuchea for its own strategic goals;

- o A belief that it had little to lose by its hardline posture because:

- oo It was not a domestic political liability;

- oo In the struggle between capitalism and communism, the Republic could never expect to have amicable relations with the Soviets, and;

- oo Confidence that trading relations with the Soviet Union would not be affected by its hardline posture;

- o Embarrassment over the rapid expansion of the Soviet military presence, especially naval, in the region--in light of the Republic's earlier apparent encouragement of an increased Soviet presence in Southeast Asia.

This is because Singapore favors strategic multipolarity in Southeast Asia in order to ensure its security and survival. However, the perceived Soviet "over presence" at a time of reduced Western presence was something the Republic's leaders did not bargain for.

In light of this perception, Singapore has encouraged the United States to continue playing an important role in the region. Viewing the Soviet naval presence as "psychologically intimidating" and a "potential threat," Prime Minister Lee Kuan Yew has exhorted the United States to "ensure that the Soviet Union, either on her own or through her surrogate, Vietnam, should not be allowed to dominate or intimidate Southeast Asia with her military might."⁵ Singapore has also come to see China's role in checking Soviet-Vietnamese expansionism as constructive. For instance, the Republic welcomed China's "punishment" of Vietnam in 1979, arguing that without it, "the situation would have been disastrous for Thailand and the rest of Southeast Asia. Soviet influence would have become all pervasive."⁶ In view of this, Singapore does not regard China as a threat except in the very long-term because "China has not got the military capacity to be a threat for 20 to 30 years."

This strategic perception has been largely responsible in encouraging the Republic to adopt "pressure tactics" to reduce the perceived Soviet-Vietnamese threat. One reason for this is the belief that the Soviets and the Vietnamese have divergent aims in the region and that Vietnam is not vital to Moscow. This is because the Soviet Union's objective is to put Vietnam solidly behind it against China, whereas Vietnam needs the Soviet Union to consolidate its position in Indochina.

Singapore's foreign policy has been dominated by economic considerations recently and is likely to be so until the country sees itself on the way to economic recovery. Not surprisingly, with its large Chinese population, Singapore does not share the Indonesian view of Vietnam as a buffer against Chinese expansion. Accordingly, Vietnamese withdrawal from Kampuchea is a firm goal of Singaporean foreign policy.

Thailand

Depressed world commodity prices and a government imposed austerity program have resulted in reduced economic growth which, although respectable by any standards, has generated a mood of depression in Thailand. Government policies are directed at maintaining stability at the expense of growth and while attracting criticism from almost all sectors of business within Thailand, the same measures have received widespread international endorsement. The economic outlook for Thailand appears to be satisfactory.

Historically, Thailand has been vulnerable to land-based threats from the west, north and east, but since the end of World War II it has been preoccupied with the threat from the east and north due to the rise of communism in China and Vietnam. Thailand's strategic alliance with the United States was largely to counter this perceived threat. As the United States war effort in Vietnam diminished and the prospects of U.S. military withdrawal from Indochina increased, Thailand turned to China and ASEAN to cope with the threat of a reunited and revitalized Vietnam, backed by the Soviet Union. The Vietnamese invasion of Kampuchea reinforced Thai fears and, unlike Malaysia and Indonesia, Thailand has come to see China as a countervailing force to Vietnamese ambitions in the region. China's "lesson" to Vietnam in February-March 1979, in return for the latter's invasion of Kampuchea, was a reminder to Thailand of the value of the Chinese "card."

Traditionally, Thailand has not been overly concerned with the Soviet threat. However, with the increased Soviet military presence in Vietnam and its backing of Vietnam's invasion and occupation of Kampuchea, the Soviet Union has slowly risen as a source of threat in Thai perceptions. This was made amply evident by Air Chief Marshall Siddhi Savetsila, the Thai Foreign

Minister, during his address to the Council of Foreign Affairs in New York on 20 May 1985:

Today, that threat comes from the Soviet Union through its proxy, Vietnam. Beyond their expansionistic designs, they have parallel security interests. The Soviet Union wants a permanent foothold in Southeast Asia to counterbalance the military presence of the U.S. in the Philippines and elsewhere. Mainly for this reason, the Soviet Union has moved into Cam Ranh Bay and turned it into a Soviet military base. With Cam Ranh Bay, the Soviet Union now has the capability to patrol the South China Sea and even roam the Gulf of Thailand. This Soviet presence has clear consequences for the vital sealanes and all naval movements in the region. It has a strong effect on the power equation in South East Asia.⁷

Thailand viewed the Soviet objectives in the region as follows:

- o To block China from expanding to the south;
- o To replace the United States power that used to be there;
- o To show small countries of the region that the Soviet Union should be accepted and recognized as a superpower; and
- o To build up strategic points for Soviet interests in the region and to link up with Soviet activities in the Indian Ocean and the Persian Gulf.

For these reasons, Thailand sees little chance of the Soviets abandoning the Vietnamese. In view of the great strategic value of Vietnam to the Soviet Union, it is inconceivable that Moscow would ever voluntarily relinquish its bases there. There is no way the Soviet Union's presence in Vietnam can be removed. Further, the Western World had no instruments available to effect this removal. It is also recognized that the Soviet Union has become a permanent feature of Southeast Asian affairs and that it cannot be wished away.

Perceiving that the Soviet's global and regional interests have coincided with Hanoi's ambitions to dominate Indochina, Thai leaders see little chance of Vietnam's dependence on Moscow being reduced. Indeed, Thailand has argued

that Hanoi is drifting deeper and deeper into dependence on Moscow because of the heavy cost of maintaining 160,000-180,000 troops in Kampuchea. Thailand has dismissed speculation that Hanoi could reassert its traditionally independent foreign policy and veer away from Moscow. While Thailand shares the view that the PRC is a threat insofar as all communist powers constitute a threat to states in the region, it is disturbed by the Indonesian and Malaysian tendency to dismiss the ideas that Vietnam is expansionist and that its occupation of Kampuchea is a threat to Thailand. While the Thais agree with the Indonesians and Malaysians that the Vietnamese should, if possible, be weaned away from the Soviets, they concurrently oppose the notion that a strong Vietnam could act as a counterbalance to Chinese expansionism in Southeast Asia--primarily because Bangkok fears Hanoi's expansionist designs. However, Thai leaders also point out that Vietnam would be unable to expand without external backing and, for this reason, condemn Moscow's policies in the region. The Thai Foreign Minister has argued that without Soviet assistance the Vietnamese expansionist machinery would come to a grinding halt: "if Vietnam did not have Soviet military and financial support, its occupation of Kampuchea would not be possible."⁸

The monarchy in Thailand has a uniting and stabilizing influence which is important for a country with many internal problems. Communist insurgents have been active in the country; but none of these influences has had the destabilizing effect which might have been expected. In some measure this is due to the stabilizing effect of the monarchy.

Thailand has a number of border problems, which pose for it and ASEAN, their most difficult foreign policy problems. The most important is on the Thai-Kampuchea border where refugees from Kampuchea continue to occupy camps inside Thailand from which they often make sorties into Kampuchea. The

factions of the Coalition Government of Democratic Kampuchea (CGDK) have only been capable of irritating the Vietnamese and the Peoples Republic of Kampuchea (PRK) with these raids, but there is a danger that retaliatory raids into Thailand could ensue and cause a conflict with Thailand and ASEAN.

Other border problems with Laos and Burma are of less importance and show little prospect of escalating to any significant degree. Thus, while Thailand is potentially a trigger which could destabilize the whole of Southeast Asia, the present surprisingly stable situation in the country has a reasonable chance of continuing while the monarchy unites the nation.

ENDNOTES

1. Straits Times, 10 May 1982.
2. Cited in Michael Richardson, "Officials in Pacific Say Soviet Union is Making Little Headway," International Herald Tribune, 6 October 1986.
3. "Success of the Asian-Pacific Region," New Straits Times, 4 June 1985.
4. See S. Dhanabalan's Interview with Asiaweek's Assistant Managing Editor, Wayne Morrison, Reprinted in Mirror (Singapore), 15 April 1981.
5. Straits Times, 10 May 1982.
6. U.S. News and World Report, 8 February 1982.
7. See Siddhi Savetsila, "Thailand's View on the Present Situation in Southeast Asia" (Address to the Council of Foreign Relations on 20 May 1985, New York).
8. See Sarasin Viraphol, "The Soviet Threat. Development of the Thai Perception," Asian Affairs: An American Review 11, No. 4 (Winter 1985).

CHAPTER III

INDOCHINA

Vietnam

Vietnam, despite its preeminence in Indochina, remains a poor country. It continues to make small but fairly consistent economic advances, but any benefits which might flow from them continue to be eroded by the equally consistent growth in population. So far, Vietnam has only established a very limited export market and although hopes are pinned on developing the Vung Tau oil field in the near future, even this resource will be affected by the downturn in oil markets and prices. Because Vietnam continues to lack the infrastructure and well trained bureaucracy to implement initiatives efficiently, advances in the country's economic situation will probably be realized.

Communist states are generally not receptive to the growth of internal minority groups, which can cause substantial security problems for the government. Even though living standards are low in Vietnam and an occasional trial of citizens said to have been plotting against the government is given wide publicity, there is little doubt that the internal security situation in Vietnam is well under control. Most dissidents prefer to leave the country rather than remain and try to cause trouble.

Vietnam's military forces are very large and are committed on several fronts, including the Sino-Vietnamese border and in Kampuchea. Even the Spratly Islands, which Vietnam claims, extract a military and economic price from limited Vietnamese resources. Although some attempts have been made to try and use the armed forces to assist in improving the economy, the extensive military commitment will be a constraint which dominates Vietnam's progress.

Vietnamese foreign relations are consistent, with close ties to Moscow, continued friction with China and intransigence on the Kampuchean issue being the most important points. Ties with Moscow have resulted in Soviet aid flowing into Vietnam and a major Soviet base being developed at Cam Ranh Bay.

Even though some regional and Western countries can see advantages in Vietnam's development of its economy (and perhaps becoming less reliant on aid from the Soviet Union) there is little prospect of any substantial aid being offered while Vietnam adheres to current foreign policies. There is little chance that they will change in the near future.

Kampuchea

Kampuchea continues to survive on a subsistence economy. Even basic food production has fallen short of targets and, with less than half the land of the pre-1968 period now under cultivation, there is little sign of improvement in the near future. Despite a recognition of the need to improve basic agriculture, Kampuchea lacks the infrastructure to substantially improve its economy, which has actually begun to decrease. Aid to the Coalition Government of Democratic Kampuchea (CGDK) has continued at about constant levels but aid to Kampuchea itself has fallen dramatically and will probably continue to do so. As a result, the already poor economic circumstance in Kampuchea may decline even further.

The coalition government under leadership of Prince Sihanouk has widespread support from the international community. More and more countries are supplying aid to the Khmer resistance forces and civilians. But this is not the case for Vietnam. The international community has limited economic and financial relations to show disapproval of Hanoi's aggression and its continued refusal to withdraw its 180,000 occupation troops.

Today, the government--known universally as the Heng Samrin regime--after its nominal leader--is recognized by virtually no country outside the pro-Soviet group of countries. More than 180,000 Vietnamese soldiers and civilian "advisers" garrison Kampuchea. They do this because if they withdraw, the Heng Semrin would crumble like so much fine clay. Huge numbers of Vietnamese civilians--estimates range up to 700,000--have emigrated to Kampuchea and have been given preferential treatment over a population that is traditionally hostile to the Vietnamese. The regime itself is slavishly pro-Vietnam. It has unhesitatingly proceeded in the past five years to model itself directly after the Hanoi Communist Party, government and bureaucracy. It is staffed at the top almost exclusively by two groups of Khmers: those who lived in Vietnam virtually all of their adult lives and those who defected from Pol Pot's Khmer Rouge. No other individual is allowed into the inner circles. The result has been predictable: another Vietnam in a foreign country.

The world has not accepted this as a fait accompli. Hundreds of thousand of Khmers have not accepted this situation. Much to Hanoi's distress, most of the world and much of Kampuchea has resisted Vietnam's neocolonialism. On the diplomatic front, Democratic Kampuchea is still recognized by most of the world as the legitimate name and government of the country. Aid to Vietnam, and to Kampuchea has been stopped by most of the world because of the occupation. Relations between Hanoi and its Southeast Asian neighbors--specifically ASEAN, and most specifically Thailand--once looked promising and peaceful. Because of the invasion, and only because of the invasion, Vietnam and ASEAN now regularly confront each other. The world, ASEAN, Thailand, and Kampuchean nationalists have given, are giving, and will give Vietnam a way out of a problem of Hanoi's own making. All Hanoi has to do is stop colonizing, recognize that Kampuchean have rights in their own land, and

return the country to its citizens. A Vietnamese troop withdrawal and elections--with Heng Samrin as a candidate if he chooses to be one--is a simple conclusion. Of course Kampuchea then would not belong to Vietnam, but Hanoi has no right to it anyway.

Problems inside Kampuchea are legendary and long lasting. Vietnam shows no sign of removing its troops and the regularly announced troop withdrawals are usually nothing more than a public relations exercise staged whenever Vietnam is in the process of a troop rotation. The combined forces of the People Revolution of Kampuchea (PRK) and Vietnam have been used effectively against CGDK camps and forces along the Thai border but in so doing, they have heightened tensions there.

Although CGDK forces will continue to be little more than an irritant (in military terms) to the PRK and Vietnamese forces, they do have the effect of tying up scarce resources and manpower in military operations. This will continue to stifle any improvement in circumstances inside Kampuchea.

A solution to the Kampuchea situation, either military or political, is not a likely prospect as both sides of the dispute, along with their supporters, have entrenched positions and conflicting demands which will not be met. The danger is that Vietnam and the PRK will become exasperated with the irritant of CGDK attacks from Thailand and attack in force across the border. While this is not likely to happen in the near future, it cannot be discounted and consequences could be catastrophic for the whole region.

Laos

Laos has managed to improve food supplies in recent years but as in other Indochinese states there is a lack of infrastructure which continues to inhibit implementation of economic initiatives. Additionally, Laos has a particularly weak transport system which will continue to hamper development.

The economy relies heavily on aid, mainly from the Soviet Union and Vietnam but even this is not effectively used. Like its neighbors in Indochina, Laos does not show any signs of great economic advances in the near future.

Internal security also causes the Laotian government some concern, with sporadic insurgent activities continuing to occur. Perhaps of more concern to the government is the conflict between socialism and capitalism which the government feels within its own ranks. Steps have been taken to ensure that capitalism does not predominate. Also, the Lao Peoples Army (LPA) has been employed to assist in Lao society and, security situation permitting, the LPA will probably increase its activities in this area.

Laos has a border dispute with Thailand which has soured relations between the two countries. It does not appear to be serious enough to flare into a major conflict but it has had the effect of placing Laos more firmly into the Indochina group and reducing Thailand's influence on the government.

Laos has recently been very cooperative with the United States on the question of servicemen missing in action (a sticking point in normalization of relations between the United States and Vietnam) and the pragmatic Laotian government has been rewarded by much improved aid from the United States. Relations with China remain predictably cool while those with the Soviet Union remain close.

Federation of Indochinese

Since Indochina constitutes, in Hanoi's perspective, a single strategic unit, the Laos case perhaps sheds more light on the design of the Vietnamese Communist leadership than does the Khmer issue. Not only does it indicate the kind of domination system that Hanoi is striving to impose upon the Khmer people, but it also provides evidence that the Vietnamese Community Party (VCP) is currently looking beyond the Mekong. Today, the "Domino Theory" is

tested not only on the Khmer front, but also on the Lao frontier, with Thailand being put under more and more pressure.

Under the Lao People's Revolution Party (LPRP) the Lao People's Democratic Republic (LPDR) was founded on 2 December 1975. Through support of the VCP, a "special relationship" with Vietnam was established. The joint declaration affirmed both sides resolve "To consolidate and enhance the solidarity, long-term cooperation and mutual assistance" between Laos and Vietnam. With the establishment of this special relationship, a group known as PC-38 was assigned to run the country, by implementing VCP policy towards Laos and Kampuchea.

PC-38 is the code name of the Central Office for Lao Affairs. The PC-38 office receives directives from the shadowy Central Western Affairs Commission of the VCP Central Committee. It is no secret that for years Vietnamese Potiburo member Truong Chin has supervised the whole Laotian dossier, while Le Duc Tho controls the Kampuchea dossier. As its name indicates, the Central Western Committee does not simply handle the Lao dossier. Its competence goes beyond the Mekong areas. Indeed, this commission has always been in charge of not only the Laotian sector, but all Southeast Asia affairs, as a whole. Most likely, Thailand has become a main area of the VCP's concern. However, this dimension is not new, as the Indochinese Communist Party (ICP) had as early as 1930, an embryonic network within Thailand. By 1940, the Vietminh had expanded their operation in Northern Laos. A Burmese front was also set up. These early moves by the Vietnamese communist movement were due in part to the existence of scattered Vietnamese communities on the other side of the Mekong River which could supply the VCP with reliable recruits. The main reason is the "internationalist mission" the Vietnamese communists have arrogated to themselves right from the beginning.

At its Fourth Congress in December 1976, the VCP leadership reaffirmed "the nationalist duty" as a matter of principle, with the adoption of the thesis of "Vietnam as a sure and reliable outpost of Socialism in Southeast Asia." The VCP would endeavor to preserve and develop the special relationship between the Vietnamese people and the people of Laos, and Kampuchea. The VCP also sought to strengthen military solidarity, mutual trust, long-term cooperation and mutual assistance between Vietnam and the two fraternal countries. The VCP's leaders wanted to show that the work of Ho Chi Minh's disciples did not stop with the occupation of Kampuchea in 1979. It wanted to demonstrate its will to export the revolution beyond the border of Indochina.

From Hanoi's perspective, Thailand would appear to be the next country targeted for destabilization, with Laos playing the role of a relay in the westward expansion of Vietnamese Communism. There are many reasons for the eventual partition of Thailand. The first is geographical determinism, with Thailand now being the front-line country in conflict with the "Indochinese bloc." The second reason is historical legacy. During the second Indochina War, Thailand was a member of the Southeast Asia Treaty Organization (SEATO) and sheltered some of the American forward bases in mainland Southeast Asia. Thailand is therefore considered by its communist neighbors as their enemy.

Today, Thailand is considered by the VCP leadership as a potential stumbling block to its goals in Southeast Asia.

It was symptomatic that by the end of the war, Vietnam began to back Pathet Lao charges against Thailand for "having covertly Laos and occupied the Northeast (Thailand), which formerly belonged to Laos and is inhabited by more than 12 million Lao people." Later, the Thai authorities were charged with carrying out a hostile policy toward Laos and Vietnam by allegedly training,

arming and organizing Lao refugees and using them for spying, subverting and destabilizing the LPDR. The pressure from Hanoi was kept on Thailand in the following few years and the Thai-Lao border dispute in 1984 was only part of the decade-long tension between the new "Indochinese bloc" and Thailand.

What is of more far-reaching significance is that the VCP has likely engaged in a scheme to progressively destabilize Thailand. And in this new strategic gamble, the Vientiane regime is to play a decisive role. The main concept for destabilizing Thailand is to take advantage of the strong cultural ties of the large community of ethnic Lao living in this area--a ploy that has always attracted the attention of Vietnamese Communists and their Lao surrogates. Since the mid-1970's the threat of secession by the 16 provinces of Northeast Thailand has become a matter of deep concern for the Thai government. With VCP support, the Communist Party of Thailand (CPT) has been provided considerable support from within Laos.

Vietnam has a long-term desire to form a Federation of Indochinese nations which would include Laos, Kampuchea and Vietnam. By using a strategic plan (PC-38), Vietnamese Communists have successfully formed a Federation of Indochinese and completely controlled Laos and Kampuchea since the beginning of the year 1975.

CHAPTER IV
BURMA AND THE SOUTH CHINA SEA

Burma

Burma has recently done reasonably well in overall economic terms. However, this overall result conceals an uninspiring performance by some sectors of the economy and a rising debt service burden. If Burma is to sustain economic growth at rates which will enable it to handle its worsening balance of payments situation, the weaker parts of the economy will have to improve.

The internal security situation in the country is complicated by a plethora of insurgent groups. These groups are mainly secessionist in nature and the Burmese Army is hard pressed to contain their activities. In addition to secessionist groups such as the Karens, the government also has to deal with bands of guerrillas who are involved in the opium trade.

With such internal problems it is not surprising that Burma tries to maintain friendly relations with all its neighbors. It is quite successful in this venture and Burma has also managed to remain friends with many other countries including both superpowers. Friendship and peaceful coexistence have recently been reaffirmed as Burma's foreign policy and it would seem to be one which Burma is able to sustain.

Even though Burma has on a number of occasions indicated its willingness to act as a mediator between ASEAN and Indochina on the Kampuchean problem, it has nevertheless unequivocally opposed Vietnam's occupation of Kampuchea, and has (like ASEAN) continued to recognize the government of Democratic Kampuchea. For instance, during Nguyen Co Thach's visit to Rangoon in August 1982, the Burmese Government called on Hanoi to "totally withdraw its troops from Kampuchea and to ensure self-determination of its people."¹ Parallel

to this growing coolness towards Hanoi and Moscow has been the steady warming of relation with the ASEAN states (in particular Thailand) as well as the United States.

The South China Sea

Apart from the situation in Kampuchea, the Islands in the South China Sea, and in particular the Spratly Islands, provide the setting with the most potential for instability in the region. The islands and cays that make up the Spratly Group are all small and, of themselves, both commercially and militarily insignificant. However, their 200 nautical mile Exclusive Economic Zones might be important and nations with historical links in the area are ensuring their claims are protected.

China, Taiwan, Vietnam, the Philippines and Malaysia claim all or some of the Spratly Group and most of them have stationed troops there to protect their claims. Some unpleasant incidents have occurred but so far they have been localized. Because there have been no oil deposits found, despite some exploration carried out by the Philippines, and no other lucrative ventures have been identified in the Group, the likelihood of escalation remains low.

The prospect of a conflict erupting in the Spratly Group as the result of a determined act by one claimant to eject another for economic and/or nationalistic reasons also appears remote. However, the chance of an accidental flare-up between various countries cannot be discounted. A conflict of this nature, if it could be confined to the islands, would probably not involve either of the superpowers, even though Vietnam or the Philippines might be involved. The same could not be said if attacks on those countries resulted from conflict in the islands--to include potential U.S. involvement if the Philippines were one of the nations to be attacked.

ENDNOTES

1. New Straits Times, 5 August 1982.

CHAPTER V
THE EXTERNAL INTERESTS

The United States

The United States has numerous objectives and interests in Southeast Asia. Generally speaking, these include political and economic ties with western aligned Southeast Asian nations and the fostering of intraregional harmony. Items which are especially important from a security standpoint include the strengthening of collective defense with America's regional allies and the promotion of stability, strong economic bonds, and free access to and within the region.

Former Secretary of Defense Caspar Weinberger focused on security and economic interests in his "Fiscal Year 1986 Annual Report to the Congress." He stated that over 30 percent of U.S. trade currently occurs with East Asian nations, and that five of America's eight mutual security treaties link the United States with them. According to Secretary Weinberger, priority U.S. objectives in the region include: the defense of U.S. territory, protection of the lines of communication that connect America to its Pacific allies and friends and the fulfillment of America's treaty commitments in assisting its allies. Regarding the latter, he cited America's support of Thailand's efforts to strengthen its defense capabilities against Vietnamese activities, which furthers both U.S. and allied objectives in Southeast Asia. Changes in the relations among the three powers elsewhere have been accompanied by significant changes in their Southeast Asian roles. The United States is now far less involved with Indochina than in the past, but remains widely engaged in Southeast Asia as a whole. For China and the Soviet Union, Indochina remains the focus of interest and attention. China's position in Southeast Asia, although much less important and influential than that of the

United States, has nevertheless been strengthened by its role in response to Vietnam's aggression in Kampuchea and Laos. Obviously, U.S. presence in Southeast Asia has diminished substantially since the early seventies. The affairs of the region have ceased to be a principal preoccupation of American leaders and the American public. Despite a less involved and less active role, the United States involvement in Southeast Asia is in many ways more broadly-based and more truly reflective of long-term American interests. This role meshes well with the policies being pursued by its Pacific allies, and derives strength from the fact that those policies are no longer a source of domestic controversy.

A number of developments have undermined the once popular argument that Southeast Asia is basically irrelevant to America's strategic interests. Energy developments, continued turmoil in the Middle East and the Soviet invasion of Afghanistan are some of those issues. Also, growing awareness of the strategic interrelationship between the Indian Ocean and the Pacific Ocean (underlined by the logistic advantages Moscow has gained through its alliance with Hanoi) have all focused attention on the importance to the United States and its allies of the Southeast Asian searoutes--and, hence, the stability and friendship of the littoral states.

These considerations have been reflected in a continuing, even though diminished, U.S. security role in the region. Long-term prospects for a stable U.S. presence in the Philippines, which serves both regional and global interests, have been improved by revisions to the Military Base Agreement. These revisions give more adequate recognition to Philippine sovereignty and to Philippine contributions to Pacific defense--while simultaneously preserving American military flexibility. Contrary to early post-Saigon

trends, the United States has continued to provide military assistance to long-standing ASEAN recipients, including Malaysia and Singapore.

Reaffirmation of the Manila Pact commitment to Thailand, however vague, serves notice that the United States continues to accept a connection between the security of Thailand (and through Thailand, ASEAN) and American interests.

The United States has long had interest in Southeast Asia, and in particular the sea lines of communication which pass through the region. For many years the United States has enjoyed a strategic advantage in the region because of its bases in the Philippines, but the development of the Soviet base at Cam Rann Bay has eroded this advantage. The importance of the United States bases in the Philippines has increased as a result and the Southeast Asian region has become more of a theater of superpower competition.

The Soviet Union

Following the communist victories in Indochina in 1975, Moscow displayed heightened interest in Southeast Asia. This was a direct result of the collapse of the American security system in the region, the demise of SEATO (Southeast Asia Treaty Organization), and the rise of Vietnam as the dominant actor in Indochina. The Soviets anxiously watched China's "backyard." Beijing's increasingly cool relations with Hanoi, its growing friendliness towards ASEAN, its open support for a residual U.S. security role in the region, its pressure on Washington to reverse detente with the Soviet Union and, most importantly, its growing concert of interests with the United States, Japan, Western Europe and the ASEAN states, were all disturbing to Moscow.

Since the beginning of 1979, the Soviet Union has become Vietnam's largest trading partner, as well as the main source of economic and military aid. It is estimated that Moscow spends about \$3 million per day on Vietnam,

largely to finance Hanoi's occupation of Kampuchea and to keep the Vietnamese economy functioning. In return, the Soviet Union has acquired basing rights in Vietnam for air force and naval units. The former American naval base at Cam Ranh Bay has been transformed, according to the U.S. Department of Defense, into "the largest Soviet naval forward deployment base outside the Warsaw Pact.¹ The Soviet involvement in Southeast Asia has expanded incrementally, largely as a consequence of opportunities thrown up by developments within the region, which has resulted in both setbacks and successes. It is no longer accurate to discuss Soviet interests in Southeast Asia as merely marginal or secondary. The presence of some 10,000 advisers in Indochina; the military alliance with Hanoi; the commitment of massive Soviet economic, military and political support and prestige; and, more importantly, the strategic value of the military facilities in Vietnam, would indicate that Southeast Asia has acquired an importance in Soviet strategy which hitherto had been absent. The likelihood is that this significance will grow in view of the uncertain U.S. position in the Philippines and China's modernization of its armed forces and economy as well as its diplomatic activities in the region as a whole. The permanence of Moscow's interest and involvement in the region is underscored by the fact that the Soviet Union views itself more and more as an Asian and Pacific power, rather than a country with solely a Eurocentric orientation.

The main aims of the Soviet Union's foreign policy are to guarantee its security and to extend its influence beyond its borders. In this regard, the goals are both defensive and offensive. More specifically, the vital interests of the Soviet Union include the avoidance of a nuclear war with the United States, the deterrence of NATO in Central Europe, the maintenance of Soviet control of Eastern and Central Europe, and the projection of credible

power in the countries bordering the Soviet Union, especially China and Japan. In this regard, the Soviet Union has no vital interests in Southeast Asia, however, this does not mean that the region is unimportant. Indeed, consistently growing Soviet commitments have been a characteristic feature of Soviet policy in the region since 1965, and it is possible to infer the following as its goals in Southeast Asia:

- o To check any expansion of the United States' economic, political and military influence, by encouraging rifts between Washington and the countries of the region--with the object of disrupting, and even unravelling, the American defense alliance system.

- o To contain the expansion of Chinese influence by working on the Southeast Asian countries' fears of Chinese intentions; by highlighting China's "expansionist nature" as well as "special relationship" between Beijing and the Overseas Chinese; and by emphasizing the "exploitative" character of the latter's economic activities and their potential as a "fifth column."

- o To retard the expansion of Japanese economic and political influence.

- o To expand Soviet economic, political and military influence with a view to consolidating gains in Indochina and making inroads into the ASEAN region.

- o To ensure unhindered passage for Soviet naval and merchant ships through the searoutes controlled by the ASEAN states.

- o To expand economic relations with regional states in order to tap markets and raw materials.

Soviet expansion into Southeast Asia was initially driven by a desire to consolidate its influence in countries bordering China. Vietnam was one such country and by backing Vietnam the Soviet Union also consolidated its

influence over Kampuchea and Laos. It also places political pressure on ASEAN nations to accept Vietnam and the status quo in Kampuchea. While demonstrating Soviet interest in the region, a Soviet military presence also adds a new element to ASEAN security thinking.

The Soviet base at Cam Ranh Bay has provided the Soviet Union with a number of strategic advantages, including: a reduced reaction time for incidents in the area or in the Indian Ocean (which equals that of the United States); a counter to the United States forces in the Philippines; a capability to disrupt sea lines of communication in the region; and, an added military dimension to the encirclement of China. The base is now the largest Soviet military base outside the Warsaw Pact and is of such importance that it will continue to be consolidated and developed.

China

China seems convinced that Soviet strategy in Asia is directed towards encircling the PRC, and that Soviet naval bases in Southeast Asia are more links in the chain of encirclement. Vietnam, a traditional enemy that is now viewed by China as the surrogate of the Soviet Union in Southeast Asia, can not only provide the Soviet Union with ideal sites for such bases, it can also harass its traditional enemy and divert their attention from the more serious threat emanating from the Soviet Union. In this strategically crucial area lies ASEAN.

China wants and needs a stable ASEAN region made up of governments that, at best, are friendly or, at worst, are not hostile. If China cannot have a Vietnamese government that is friendly, then at least the PRC needs a Vietnam that is not in a position to threaten its southern flank. The chances of getting a friendly Hanoi government anytime soon are remote and the

alternative, in Chinese thinking, is to bleed Vietnam until it is too weak to undertake any serious adventures.

In the long-term, however, the Peoples Republic of China (PRC) faces a dilemma. The more Vietnam bleeds, the more dependent the Socialist Republic of Vietnam (SRV) will become on Soviet assistance. And the stronger the dependency, the better will be the USSR's bargaining position in regard to expanding and consolidating its basing privileges in Vietnam.

As long as the United States was the dominant force in Southeast Asia, and China was an American enemy, the PRC was also an enemy of Thailand. And indeed, the PRC behaved like an enemy by encouraging Thai communists to rebel against the Thai government. They did so by operating a clandestine radio station in Southern China that beamed antigovernment messages in the Thai language to members of the Communist Party of Thailand (CPT) and to other interested listeners.

In Thailand the Chinese tiger is today most often viewed as an indispensable ally against a very threatening Vietnamese tiger. Thus, in the view of some high officials, Thailand's relations with China must be realistically consistent with the current political context. Thailand needs the support of China if it is to survive in the face of the Vietnamese threat.

Despite the support of China in the present political setting, there are important Thai policymakers who believe that China has not abandoned permanently its support for the Communist Party of Thailand (CPT) and that its present practice of minimizing party-to-party relations is for China a "matter of necessity" and not a basic change of philosophy. China, in the concrete, may now be an ally, but, in the abstract, it remains a threat.

China has many interests in Southeast Asia and many see Chinese ambitions in the region as being the greatest long-term threat. However, Chinese

interests are being served at present by keeping pressure on their historical enemy, Vietnam. This is done by applying military pressure on their common border and by giving aid to the Coalition Government of Democratic Kampuchea (CGDK).

In the past China actively encouraged insurgents in ASEAN countries but that ploy proved to be counterproductive and support was withdrawn from most insurgent movements. Unless ASEAN economic and internal political situations change markedly, China is unlikely to again introduce support for insurgents.

Japan

Japan is important to the ASEAN member nations and those nations are important to Japan. Despite the obvious benefits for all parties, relations have often been strained. Some ASEAN leaders are quick to note that Japan has achieved economically what she failed to gain militarily and that the resulting relationships are disproportionately beneficial to Japan. Yet it is also understood that Japanese economic prosperity, political stability, and military security are vital if ASEAN members are to prosper. Within ASEAN, only Malaysia has openly espoused a policy of emulating Japan as a model for development. Nevertheless, all of the Associations' leaders agree that Japan and ASEAN must be partners. In the view of most, however, their relationship sometimes seems to be an unequal and uneasy partnership.

Every day of the year more than 700,000 tons of crude oil and 110,000 tons of iron ore are put ashore in Japanese ports.² Some 90 percent of each of these vital raw materials pass through the Straits of Malacca and the Lombok Straits. In fact, of Japan's total world imports 40 percent pass through ASEAN waters. Many of these imports come from the ASEAN countries. Overall, Japan takes about 30 percent of ASEAN's total exports. Japan lives,

or dies, on raw material imports, and thus the stability and predictability of the ASEAN region is a national interest of high priority to the Japanese.

The Japanese have invested heavily in the ASEAN region. Asia, as a whole, represents the second largest area of foreign investment for Japan immediately behind North America. Of the total Japanese investment in Asia 71 percent is in ASEAN countries.

The peace and stability of the ASEAN region are essential to Japan. It has often been argued that Japan is more important to ASEAN than is ASEAN to Japan--and in purely economic terms there is much evidence to support such a conclusion. Most of the raw materials produced in the ASEAN area are available elsewhere, and although ASEAN residents have proven to be voracious consumers of Japanese manufactured goods, the loss of this market would not be devastating to the Japanese economy. Even if trade were not a factor, Japan's national interests require a peaceful, stable and friendly (or, at least, not hostile) ASEAN.

Japan has many commercial interests in the region and provides aid to a number of countries. Reaction to Japanese involvement has been mixed but old prejudices are difficult to overcome. A common complaint has been that Japanese aid has often provided greater gain to Japan than to the recipient. Pragmatic governments tend to accept most of what is offered and complain later. While this is the case and while Japan gains something from being involved, a steady commercial and aid-related interest will probably continue.

ENDNOTES

1. Soviet Military Power 1985 (Washington, D.C.: U.S. Government Printing Office), p. 131.

2. Eto, "Japanese Perceptions of National Threats."

CHAPTER VI

CONCLUSION

Likely developments in Southeast Asia which could be of significance to Thailand and its interests during the period 1987-1997 are listed below:

- o ASEAN as a group can be expected to continue to provide a stabilizing influence on the region. Most members are economically sound with the prospect of improving their economic performance in the coming years. The Philippines will have most difficulty in achieving economic circumstances which will not breed discontent. Probably the most advanced economy of ASEAN nations is that of Singapore and this fact has put Singapore at the point where it is forced to compete with developed nations rather than those of the Third World. Singapore's past performance indicates that the necessary adjustment will be made quickly.

- o Most of the ASEAN nations are politically stable and are coping well with internal problems. Foreign policies vary somewhat but the points of difference are not at this stage likely to cause excessive friction. The greatest potential for friction lies in the different perceptions of Vietnam and China as long-term threats. The Philippines is again the greatest cause for concern with internal problems which may lead to instability and a quiescent border dispute with Malaysia which may cause some difficulty in relations with other member nations. The future of U.S. bases, therefore, is of concern. Thailand, the other ASEAN nation with the potential to destabilize the region appears to be surprisingly stable and has a reasonable chance of remaining so.

- o The Indochina states, although universally poor, are generally stable. Their internal and foreign policies are consistent and are unlikely to change in the medium term. The difficulty there arises in Kampuchea where Vietnamese

intransigence is likely to continue. The danger to the region lies in the possibility of Vietnam becoming exasperated at the CGDK's use of Thai territory and mounting an attack into Thailand. However, this does not appear likely. Although Burma also borders Thailand, it will probably continue to peacefully coexist with its neighbors while attempting to solve its internal security problems.

- o External interests in the region will continue to be benign except for the heightened superpower competition generated by the presence of the Soviets at Cam Ranh Bay. Development of the base and the capabilities it confers on the Soviet Union are important to Thailand and ASEAN. It also increases the importance of the United States presence in the Philippines. Japan will continue to show a commercial interest while there is a benefit in doing so.

- o The Spratly Islands in the South China Sea are a potential source of conflict in the region. While conflicting claims do not at present appear likely to spark a conflict, an increase in the commercial stakes could be ignited through miscalculation by one of the numerous military forces occupying territory in the island group.

- o It is clear that there is no unity of views in Southeast Asia regarding the Soviet Union's regional involvement. Because of a perceived Chinese threat and political and diplomatic pressure from ASEAN, the three Indochinese states have welcomed and endorsed Soviet activities in the region. Even though Burma has manifested a degree of coolness towards Moscow, in general, their relations have remained correct. In ASEAN, Indonesia and Malaysia tend to downplay the Soviet threat but Singapore, Thailand and, to a lesser degree, the Philippines, express greater fear of Soviet activities.

- o In part because of its alliance with the Soviet Union and partly due to historic reasons, Vietnam today is viewed as the most serious external

threat facing Thailand. The SRV's occupation of Kampuchea has considerably increased Thai perceptions of the presence of this threat. Although Thailand has attempted to avoid implicating Laos in its dispute with Vietnam over Kampuchea, the long common border shared with Laos has in the Thai view brought Vietnam to its doorstep. It is, in fact, this border, and the Thai-Kampuchean border, that makes Thailand the front-line state.

o While Thailand, a member of the ASEAN, has pledged of support from several of its neighbors in the event of an attack by the large Vietnamese forces in Kampuchea and Laos, the Thai still consider the United States their primary defense ally. Under the Manila Pact, the United States is obligated to support Thailand with a broad range of programs aimed at improving and modernizing the Thai armed forces. This includes joint participation in combined exercises, provision of equipment and training, and improved cooperative logistics support through the United States-Thai war reserve stockpile agreement. These robust, ongoing programs are enhancing both Thailand's security and world peace.

At the present time the situation in Southeast Asia is relatively stable. Obviously, the occurrence of any of the above listed possibilities could drastically upset that very tenuous stability. While the superpowers will probably continue their quid pro quo maneuvering, the real danger of any serious disturbance in the existing balance is likely to be generated from within or of the respective countries or by renewed conflict between the opposing blocs. Especially precarious is the domestic situation in the Philippines and the potential for flare-ups between Thailand and Vietnam (over the issue of Kampuchean refugees).

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