



## Indonesia's Foreign and Security Policy

*China, Australia and Indonesia*

Jamie Mackie

*Unfinished Business: Reform of the  
Security Sector in Democratic Indonesia*

Donald Greenlees

*Growing Convergence, Greater  
Consequence: The Strategic Implications  
of Closer Indonesia and China Relations*

Greta Nabbs-Keller

and...

*Easier Said Than Done: The Afghan Peace  
and Reintegration Program*

Paula Hanasz

*Explaining China's Participation in  
Bilateral and Multilateral Military  
Exercises*

Wilson Chun Hei Chau

*East Asia's Military Transformation:  
The Revolution in Military Affairs  
and its Problems*

Andrew Tan

*Creating a European Defence  
Industrial Base*

Keith Hartley



# Security Challenges

Volume 7 Number 3 (Spring 2011)

## Security Challenges

ISSN 1833 – 1459

### EDITORS:

Dr Stephan Frühling and Dr Benjamin Schreer

*Managing Editors*

editor@kokodafoundation.org

Robert Wylie

*Consulting Editor Defence Industry Policy*

r.wylie@adfa.edu.au

Geoff Hunt

*Production Editor*

wamboolhunt@yahoo.com.au

### EDITORIAL BOARD:

*Robert Ayson*

Victoria University  
Wellington, New Zealand

*Ross Babbage*

The Kokoda Foundation  
Canberra, Australia

*Sam Bateman*

University of Wollongong  
Wollongong, Australia

*Leszek Buszynski*

International University of  
Japan, Tokyo, Japan

*Eliot Cohen*

John Hopkins University,  
Washington, DC, USA

*Ralph Cossa*

Pacific Forum CSIS  
Honolulu, Hawaii, USA

*Bates Gill*

Stockholm International  
Peace Research Institute  
(SIPRI), Stockholm, Sweden

*Gerald Hensley*

Former Secretary of Defence  
New Zealand

*Rod Lyon*

ASPI  
Canberra, Australia

*Andrew Mack*

Simon Fraser University  
Vancouver, Canada

*Rizal Sukma*

Centre for Strategic and  
International Studies  
Jakarta, Indonesia

*Ramesh Thakur*

Asia-Pacific College of  
Diplomacy, Australian  
National University  
Canberra, Australia

*William Tow*

Department of International  
Relations, Australian National  
University  
Canberra, Australia

*Akio Watanabe*

Research Institute for Peace  
and Security  
Tokyo, Japan

Project Management and Cover: Qote Canberra (02) 6162 1258

Published and distributed by: The Kokoda Foundation

2/10 Kennedy St  
(PO Box 4060), Kingston ACT 2604  
T: (02) 6295 1555  
F: (02) 6169 3019  
E: manager@kokodafoundation.org  
W: www.securitychallenges.org.au

© The Kokoda Foundation. All rights reserved. Apart from any fair dealing for the purposes of private study, research, criticism or review as permitted by the Copyright Act, no part of this publication may be reproduced, stored, transmitted or disseminated in any form or by any means without prior written permission. Inquiries should be made to the publisher.

All articles published in *Security Challenges* are fully peer-reviewed. Any opinions and views expressed are those of the authors, and do not necessarily reflect the opinion of the Kokoda Foundation or the editors of *Security Challenges*.

## INDONESIA

<i>Jamie Mackie</i> China, Australia and Indonesia .....	1
<i>Donald Greenlees</i> Unfinished Business: Reform of the Security Sector in Democratic Indonesia .....	5
<i>Greta Nabbs-Keller</i> Growing Convergence, Greater Consequence: The Strategic Implications of Closer Indonesia and China Relations .....	23

## COMMENT

<i>Paula Hanasz</i> Easier Said Than Done: The Afghan Peace and Reintegration Program .....	43
--	----

## ARTICLES

<i>Wilson Chun Hei Chau</i> Explaining China's Participation in Bilateral and Multilateral Military Exercises ..	51
<i>Andrew Tan</i> East Asia's Military Transformation: The Revolution in Military Affairs and its Problems .....	71
<i>Keith Hartley</i> Creating a European Defence Industrial Base .....	95



## Editors' Note

This Spring 2011 edition of *Security Challenges* features Wilson Chau's winning essay of this year's Young Strategic Writers Competition. The competition is generously sponsored by the *Australian Defence Business Review* (ABDR) and the editors would like to congratulate all entrants for their good contributions, several of which will be published in this journal. This edition also features a piece by the late Professor Jamie Mackie, who was for many years Australia's leading scholar of Indonesia. His comment on Australia-Indonesia relations is complemented by two articles from a new generation of Indonesia scholars, Donald Greenlees and Greta Nabbs-Keller. Finally, Paula Hanasz comments on the prospects of reconciliation and reintegration in Afghanistan, Andrew Tan analyses problems in East Asia's military transformation while Keith Hartley examines the challenges for creating a European Defence Industrial Base (EDIB).

*Stephan Frühling*  
*Benjamin Schreer*  
Managing Editors  
September 2011

The Kokoda Foundation  
and the  
Security Challenges Editorial Team  
wish to acknowledge the generous support of  
**The Australian Department of Defence**  
and  
**Jacobs Australia**  
for the production and printing of the journal.



Australian Government  
Department of Defence

**JACOBS™**



## China, Australia and Indonesia

Jamie Mackie †

In a persuasive article on ‘China’s Irresistible Power Surge’, Rowan Callick quotes Lee Kuan Yew’s description of China as “not just another big player. This is the biggest player in the history of man”. Yet any danger China poses for us in Australia, notes Callick, lies not so much in a large-scale military threat to us, but in “the gradual constriction of our freedom to operate in the manner to which Anglo-American maritime primacy has long accustomed us”.<sup>1</sup>

China’s rise to economic and political primacy in Asia over the past decade or so poses major problems for us of an entirely new kind, particularly for our longstanding policy of reliance on the US Alliance as the basic pillar of Australian defence strategy and foreign policy. Whether or not China’s GDP will exceed that of the United States—and hence her ultimate political power—within the next twenty or thirty years, as some economists are predicting (and others denying) there can be little doubt China will by then, or well before then, be posing an immense danger to US political primacy in Asia, upon which Australia has been counting ever since the end of World War II. That will make the basic pattern of the international politics of our region radically different from the US-dominated pattern that we have so long taken for granted.

Hugh White has recently published a compelling but controversial essay on this subject, ‘Power Shift: Australia’s Future between Washington and Beijing’, in which he urges that Australia should encourage the United States to accommodate China’s ambitions towards regional primacy rather than simply to oppose them.<sup>2</sup> He suggests we all should be trying to persuade China to “share power in a collective leadership [of the region] with Asia’s other strong states” by participating in the creation of a ‘Concert of Nations’ which would include Japan and India, and presumably the ASEAN group, including Indonesia as its major component.<sup>3</sup>

His essay is mainly about the Great Power balance, not Indonesia per se, although he makes some pertinent observations about that country which highlight her importance to us, as well as the fragile state of our relationship

---

<sup>1</sup> Rowan Callick, ‘China’s Irresistible Power Surge’, *The Australian*, 4 October 2010.

<sup>2</sup> Hugh White, ‘Power Shift: Australia’s Future between Washington and Beijing’, *Quarterly Essay*, no. 39 (2010).

<sup>3</sup> *Ibid.* p. 23.

with her, and for our thinking about the regional or global power balance in the years ahead of us.

There is a good chance that... [Indonesia] will grow fast over the next few decades. If so, it will become a serious strategic player in Asia in its own right—not quite a great power, because its population is much smaller than China's or India's, but a middle power of real weight. It will certainly be stronger than Australia, perhaps quite a lot stronger.<sup>4</sup>

White also touches briefly on the link between our thinking about the primacy of China or the United States in the regional power balance and the state of our relations with Indonesia.

The more contested Asia becomes, the more important Indonesia will be as a political ally. Without Indonesia, the idea of a regional alliance in maritime Southeast Asia would go nowhere. With Indonesia, it could have a real chance, and might offer Australia the best way to avoid entanglements in Asian major-power rivalries without finding ourselves all alone. Together, Indonesia and Australia would be quite formidable, as we neatly complement each other's strengths. But none of this is possible unless we can build a bilateral relationship with her that overcomes the suspicions and grievances on both sides.<sup>5</sup>

That last sentence touches on one of the most fundamental aspects of our fraught relationship with our nearest and largest neighbour. As Tim Lindsey has put it, our relationship with Indonesia is “usually managed by its supporters”, who mostly regard it as “beneficial, resilient and strong”, but it is judged by its critics and opponents “who are generally both fearful and ill-informed, but who constitute an overwhelming majority” of the Australian population and tend to see the relationship as “difficult, tense and unnecessary”.<sup>6</sup> And no Australian government can entirely disregard those adverse public attitudes towards Indonesia. As President Susilo Bambang Yudhoyono put it in his address to the Australian parliament last year, the greatest problem in the relationship is the prevalence of “preposterous mental caricatures”, based on blatant ignorance and prejudice.<sup>7</sup> There are still many Australians who see Indonesia (quite wrongly) as an authoritarian country, a military dictatorship, as expansionist or a hotbed of Islamic extremism. Conversely, there are some Indonesians, he observed, who suffer from “Australiaphobia”, or believe we still adhere to the White Australia policy and that we harbour hostile intentions towards Indonesia (as demonstrated in our military support for East Timor's independence). And yet “we are equal shareholders in a common future”, he said, “with much to

---

<sup>4</sup> Ibid., p. 65.

<sup>5</sup> Ibid..

<sup>6</sup> Tim Lindsey, “Preposterous Caricatures”: Fear, Tokenism, Denial and the Australia-Indonesia Relationship’, *Dialogue*, vol. 29, no. 2 (2010), p. 34.

<sup>7</sup> Susilo Bambang Yudhoyono, Address to the Australian parliament, 10 March 2010, <<http://www.presidentri.go.id/index.php/eng/pidato/2010/03/10/1353.html>> [Accessed 12 August 2011].

gain if we get this relationship right and much to lose if we get it wrong”<sup>8</sup>. That is especially the case when both countries start to think about the implications for us of the broader regional power shift outlined by White.

There are various reasons why our bilateral relationship with Indonesia is not in much better shape than it currently is, one of the most serious being the sharp decline in Indonesian studies and language teaching in Australian schools and universities over the last decade or so, which must be remedied soon if we are not to suffer a damaging deterioration in our slowly-created levels of expertise about Indonesia in some segments of our universities, the military and parts of our governmental structures over recent years. That is such an obvious area of need that it warrants little further elaboration here.

But another crucial reason is the lack of any strong sense of shared strategic interest in the state of the regional balance of power, of the sort that White has adumbrated above. Over the past half-century or more Indonesia has been inclined towards non-alignment during the Cold War years when Australia was strongly committed to SEATO and the US Alliance, towards which Indonesia has never been attracted (as Thailand, the Philippines and Japan have been). Under the Suharto regime, Indonesia swung to a far more anti-communist foreign policy, but never as patently pro-American as Australia was. Whether or not her thinking about the great powers will become closer to ours over the next decade or so is too conjectural a matter to go into briefly here. Yet we in Australia should not only be better informed about the dynamics of Indonesia’s relations with China, but should be incorporating that information into our thinking about future developments in the regional power balance along the lines indicated by White.

Indonesia’s relations with China have been problematic ever since Mao’s victory in the civil war turned the country towards communism in 1949. Beijing’s support for the Indonesian Communist Party (PKI) aroused great hostility among anti-communists in Indonesia and between 1967 and 1990 Indonesia suspended diplomatic relations between the two countries completely, ostensibly in response to China’s alleged backing for the leftist Gestapu coup attempt in 1965. While relations between them have been patched up since then, it cannot be said that they are particularly close or promising, especially in light of the pressure China is exerting on Southeast Asian nations over their various claims to the Spratley Islands in the South China Sea. China’s commercial competition in the field of manufactured goods is also a source of friction between the two countries, as also is her ability to attract the lion’s share of available international investment capital at a time when Indonesia is having difficulty in obtaining its share. A few Chinese companies are making investments in Indonesia, but these arouse mixed reactions, as the prospect of China becoming a major investor there is far from entirely welcome.

---

<sup>8</sup> *Ibid.*

Complicating the issue of Indonesia's relations with China is the vexed question of the status of Indonesia's large ethnic Chinese minority. It has long exercised a quite disproportionate degree of dominance over much of the nation's capital-intensive economy, thereby provoking a high degree of hostility from the rudimentary Indonesian business class which has nothing like the same commercial clout. This is a controversial topic since the Sino-Indonesians (as I feel they should be called, by analogy with the Sino-Thai) are now almost entirely citizens of Indonesia who have been born there and identify solely as Indonesians, not at all as Chinese. Yet there are debates even about their number, the figure normally cited in the 1990s being in the order of five to six million (on the crude basis of their ancestry), or about 2-3 percent of the total population, although the number reported in the census of 2000, on the basis of self-identification, was less than two million, or only 0.9 percent. On the other hand, their enemies and critics tend to cling to the higher figure, and are inclined to think the worst of them. But there is now absolutely no basis for earlier fears that they might serve as a potential 'fifth column' prepared to give support to efforts by China to subvert the newly-independent Republic of Indonesia. China's policies towards the Overseas Chinese throughout Southeast Asia have been close to impeccable under the communist regime. Presumably that will continue to be the case even as China becomes a dominant power in Asia. Yet the question of how Indonesian attitudes towards her will develop as the regional power balance shifts in China's favour is currently anyone's guess, not at all a clear-cut proposition.

Closer and regular communication between Australia's experts on China and Indonesia's about our expectations of China's long-term foreign policy aims is clearly a high priority for us both in a situation like this. Hitherto there has been little more than episodic contact between them. I even have trouble in identifying just who Indonesia's academic experts on China currently are. So the case for building up a much more structured dialogue between us on the matters raised in this article is overwhelming. Let us hope that government agencies, the private sector in both countries and our respective specialists on China (and on Japan and India in due course) will give more attention to such questions in the decades ahead than they have in the past.

*Professor Jamie Mackie, who passed away in April 2011, was one of the most important figures in the field of Asian studies in Australia over the past fifty years. He is perhaps best known for his outstanding contribution to the establishment and development of Indonesian and Southeast Asian studies at Melbourne University, Monash University, and the Australian National University, where he was a mentor to many young scholars through his own research, teaching and writing. Trained originally as an historian, Jamie was renowned for the remarkable breadth of his intellectual concerns that ranged across politics, economics and international relations. His contribution to scholarship and analysis, however, was never limited to the narrow confines of the academic world. He remained committed to informing those in policy-making circles, as well as the wider Australian community, about the challenging problems and complexities that must be faced if we are to better understand our Asian neighbours, and was a frequent advocate of sensible and practical solutions to promote harmonious relations between Australia and the countries in the region.*



## Accenture Profile

Accenture recognises the tremendous challenges facing Australia's future in maintaining national security in a time of rapid geopolitical and technological change. Through Accenture's own research, we seek to gain insights into characteristics that help societies and organisations improve security and reduce risks. As the number of cyber threats continues to proliferate faster than organisations can defend against them, cyber risk management is no longer primarily a technical problem but a high priority, meriting attention at the highest leadership levels.

Accenture has more than 20 years experience assisting organisations across the globe deploy security capabilities to defend the enterprise against malicious threats, enable the enterprise to operate innovative business processes and manage risk. By combining our security and technology know-how with industry-specific experience, we help our clients weave cyber resilience into their infrastructure, applications, and core business processes—securing the fabric of their entire organisation.

We address clients' information security priorities along the full spectrum of activities from risk, strategy to implementation to management. Our experienced group of security professionals is backed by our broad technology, management consulting, and outsourcing teams from across Accenture. We draw on Accenture experts from the relevant industry or capability, such as systems integration or analytics, when their experience will help to measurably improve the outcome. Our approach is to identify the holistic set of requirements relevant to the client's business and regulatory environment, in order to define a solution that delivers an appropriate return on investment.

Accenture's clients include 93 of the /Fortune/ Global 100 and more than three-quarters of the Fortune Global 500. With approximately 204,000 people serving clients in more than 120 countries, the company generated net revenues of US\$21.6 billion for the fiscal year ended Aug. 31, 2010.

**To learn more about Accenture's Cyber Security Solution, please call Matthew Gollings on +61 2-6217 3388.**



---

# Unfinished Business: Reform of the Security Sector in Democratic Indonesia

Donald Greenlees

Conservative members of Indonesia's military establishment are breaking a self-imposed silence to critique the country's thirteen-year-old democracy and call for a restitution of a direct military role in the machinery of government. It underscores two realities of present Indonesian politics more than a decade into the new democratic era: the fragility of the political system and the failure to complete the goal of security sector reform to assert civilian prerogatives. The unfinished agenda is substantial, and the political opportunity exists to push it through if executive government, the legislature and civil society have the will. Such an agenda could include further institutional reform of the military and police, stronger parliamentary and legal oversight of the security services and a resolution of the political status of Papua. Yet with presidential and parliamentary elections looming in 2014, there are doubts Indonesian leaders are willing to finish the reform task.

After many years of being sidelined by democracy, Indonesia's military men and their fellow travellers in the conservative civilian elite are again feeling confident enough to challenge their exclusion from the political mainstream. Their disquiet has reached the point where some now openly advocate the restoration of a direct military role in politics, as they have in interviews in recent weeks, and quietly canvas the conditions under which such a return to a more direct political role might occur. The views of conservative generals and their allies in business and politics are often blended with simple nostalgia for the pre-democracy days when they enjoyed prestige, influence and opportunity. And yet they have a serious point: Indonesians of all political colours, rich and poor, decry the quality of their democracy.

In the thirteen years since the fall of the authoritarian regime of former president Suharto, there has been undoubted progress in establishing a more open and liberal political system. Indonesia has surmounted a chaotic transition from 1998, in which three presidents took the oath of office in three years, and has started to consolidate democracy from 2004 under Susilo Bambang Yudhoyono, the first president to possess a direct mandate from the people.

But Indonesians today are less inclined to celebrate the immeasurable benefits of civil freedoms and elected government than to complain about the self-interested behaviour of politicians, the absence of effective national leadership, the re-emergence of sectarian tensions, and (sometimes

erroneously) the decline in living standards or (more accurately) the decline in the quality of life. The political class is frequently vilified in the media and in street-corner discourse for condoning or contributing to a national malaise of corruption, inefficiency and opportunism.

This situation has blotted Indonesia's democratic record. It is today also contributing to a reversion in thinking in some quarters about the kind of system that best serves effective government. To outsiders, Indonesian democracy would appear to be consolidating, especially in light of the 2004 and 2009 direct presidential elections. But Indonesian democracy, for all its apparent success, has a growing body of critics. For those who witnessed the transfer of power in the late 1990s, it is not surprising that the strongest opponents of what came next happen to be those who benefited most from the former autocratic regime and its devices. The new liberal democratic political class compete energetically with their New Order forebears, but the contest is still somewhat unequal in experience, networks and access to resources. Thirteen years on, many aspects of the transition remain incomplete.

Reform of the security sector remains a vital part of the unfinished transition. It also persists as one of the most important fields of contention in the debate over the future shape of Indonesian democracy. Indonesia can point to an admirable record in reforming the role of its security services since the heady days of *reformasi*, a catch-all term for the change agenda which ended Suharto's thirty-two-year New Order. Since then, the military (*Tentara Nasional Indonesia* or TNI)<sup>1</sup> has relinquished its guaranteed allocation of seats in a range of national and regional parliamentary bodies that enacted legislation, amended the constitution and selected presidents. It has ended the practice of allowing serving officers to fill positions in civil administration. It has removed the police from under military control, thus turning over most of the burden of internal security, including counter-terrorism, to civilian law enforcement. And civilians have been consistently appointed as defence minister, breaking a tradition of several decades. In doing so, TNI formally abandoned a long standing doctrine that Indonesia's stability required it to play a socio-political role, although not entirely its suspicion of civilian abilities or its conviction it could do better.<sup>2</sup>

The first wave of security sector reforms is interesting because many of them were the work of the military itself. That also highlights its strengths and limitations. TNI has proved capable of embracing reform, but it has been able to choose the type and pace of reform. Considerably more needs to be done. Civilian oversight of internal security and defence policy remains

---

<sup>1</sup> During the New Order period, *Tentara Nasional Indonesia* (TNI) was known as *Angkatan Bersenjata Republik Indonesia* or ABRI.

<sup>2</sup> Rizal Sukma and Edy Prasetyono, 'Security Sector Reform in Indonesia: The Military and the Police', Working Paper 9 (Clingendael: Netherlands Institute of International Relations, 2003).

weak, too often the security services are seen as a law unto themselves and certain institutional vestiges of the New Order security state survive largely intact. The net result is that the security services—the military, the police and the intelligence agencies—are still seen as retaining too much autonomy. Progress in consolidating democracy and civilian control over the security services remains fragile and far from irreversible. Yet it is highly uncertain whether a second wave of reform is possible. This is important because numerous studies have shown that consolidating reform of this type is a necessary pre-condition to establishing a secure, fully-democratic polity.<sup>3</sup>

For many of the old military and civilian elite, reform has already gone too far. They see a direct trade off between the level of political liberty and the stability and effectiveness of the political system, including the incidence of corruption. “I’m one of the most pessimistic about Indonesian democracy now”, comments former defence minister Juwono Sudarsono.

It’s not functioning as it should, particularly the corruption within the parties, the parliament, the police, the judiciary, the prosecutor’s office and the lawyers. All my friends in civil society have failed me.<sup>4</sup>

The concerns about the excesses of the system have spawned a disparate—often poorly-formed—collection of ideas and policies in recent times that share a common thread: they would restore a degree of influence and authority to the security forces that was lost over the past thirteen years. At one extreme, it envisages what Juwono refers to as an “authoritarian light” political system. Juwono warns:

My feeling now is that sometime in the next four years the military will have to step in again to save Indonesia from this democracy, because this kind of democracy is getting us nowhere... I think it will be sort of light authoritarianism. But it has to be led by a military man. He has to work with a coalition of parties to maintain some degree of firmness and yet also retain the democratic aspect of it.<sup>5</sup>

The thinking has echoes of the move by first president Sukarno in 1959 to consign parliamentary democracy with a system of “guided democracy” under which political parties were subject to numerous “army-implemented controls”.<sup>6</sup> In modern form, it would presumably entail returning to the military a degree of its former influence, fewer political parties, the curbing of certain liberties and the establishment of a government that is both more centrally-controlled and conscious of maintaining public order. Other, milder,

---

<sup>3</sup> Aurel Croissant and David Kuehn, ‘Patterns of Civilian Control of the Military in East Asia’s New Democracies’, *Journal of East Asian Studies*, vol. 9, no. 2 (2009), pp. 187-217; Marcus Mietzner, *Military Politics, Islam, and the State in Indonesia: From Turbulent Transition to Democratic Consolidation* (Singapore: ISEAS Publications, 2009).

<sup>4</sup> Conversation with Juwono Sudarsono, 15 March 2011.

<sup>5</sup> *Ibid.*

<sup>6</sup> Herbert Feith, *The Decline of Constitutional Democracy in Indonesia* (Ithaca: Cornell University Press, 1962), p. 593.

variations on this theme would see the return of guaranteed seats for so-called functional-group representatives, including military officers, in the People's Consultative Assembly (*Majelis Permusyawaratan Rakyat* or MPR), the supra-parliamentary body that has the power to amend the constitution, set broad policy guidelines and impeach presidents.<sup>7</sup>

On one level, the desire for a firm guiding hand over Indonesian democracy simply reflects a longing for the perceived stability of rule by ukase that was the mark of Suharto-era leadership. If they do not propose the return of an authoritarian presidency, its advocates desire at least a stronger and more decisive one, capable of instilling more discipline in the political system and enforcing a firmer line against threats to public security and stability. This could be viewed as no more than a sentimental backward glance to the apparent security of the past, common in many post-authoritarian political environments. From the start of the reform era, hardliners have fulminated against the behaviour of politicians and resisted the growth of civilian control over the institutions of state security and defence.

But it does represent more than the grumbling of a disaffected rump. The decision to speak 'on-the-record' about the restoration of military influence is itself highly unusual and perhaps a sign of the mood. Veteran Indonesia watchers say exponents of military engagement in politics strongly prefer anonymity, ensuring such views are normally confined to "coffee shop conversation"<sup>8</sup>. Indeed, some have gone so far as initiate discussions with senior serving officers on the conditions under which TNI might be prepared to adopt a more active political role.

Liberal reformists are also concerned about a wider trend of policymaking aimed at enhancing the powers of the government and its security services to deal with threats to internal security and public order, particularly those emanating from separatism and terrorism. Those who worry over the potential for a creeping return to New Order security practices point to two draft laws, one covering national security and the other intelligence operations. These two bills, currently before the national legislature, the People's Representative Council (*Dewan Perwakilan Rakyat* or DPR), have evoked widespread criticism for their potential to resurrect New Order-style security practices, particularly in an emergency. There is a case for both bills, particularly codifying the powers and institutional relationships of the intelligence agencies. However, taken together, the bills are seen by leading civil rights activists as endangering political liberty by widening the powers of security services and giving the TNI, and TNI-dominated intelligence

---

<sup>7</sup> Conversation with Lt. Gen. (rtd) Kiki Syahnakri, 18 July 2011. This view was supported by several other retired and serving military officers in confidential discussions.

<sup>8</sup> Conversation with Kevin Evans, former diplomat and governance adviser to United Nations, 9 September 2011.

agencies, the opportunity to recover some authority over internal security ceded to the police.

The recent trends do point to security sector reform having reached a high point and stalled. Ironically, a significant part of the problem would appear to lie with the civilians themselves. Parliament, via its Commission 1 for foreign affairs and defence, has had its authority to monitor military budgets and operations enhanced by laws issued early in the reform era, yet the capacity and will seems frequently lacking. If another effort at security sector reform is to occur, and the genie of authoritarianism kept in its bottle, it will require a concerted effort by civilian politicians and civil society actors to finish the job of democratic consolidation while the security services are not in a politically strong position to resist. It is not even clear many see the necessity.

In light of these conditions, this article will assess the current state of security sector reform, focusing primarily on the roles of the two most importance security actors, the TNI and the police. It will also assess some of the governance challenges that need to be overcome to permit another wave of reforms to occur. First, it will consider the impressive progress made to date in establishing civilian control over the security sector. Secondly, the article will examine the unfinished reform agenda. It will do this from two broad perspectives, which reflect the historic patterns of involvement by the security services in domestic affairs and the fields of most current contention: TNI's role in society and politics and the challenge of internal security. Under the first heading, it will consider some remaining institutional and cultural legacies that touch on military organisational structure, financing and justice and the codification of intelligence gathering powers. Under the second heading, it will consider the balance of roles between the TNI and the police in internal security and the potential dividends for security sector reform from a settlement on the status of Papua that matches that already achieved in Aceh. Finally, it will conclude by assessing the prospects for consolidating and advancing reform and its implications for Indonesian politics and the country's international partners, particularly Australia. It is possible, and necessary, to put reform back on track. But this will require greater capacity and will in the parliament, renewed vigour from civil society and a clear directive from the president—a tall order in the current environment. Failure will leave Indonesian democracy vulnerable to set back.

### **Taming TNI: Thirteen Years of Security Sector Reform**

With the fall of Suharto in 1998 and the automatic elevation of his vice president B. J. Habibie, Indonesia embarked helter-skelter on overturning many of the most stifling features of New Order rule. On the day of his inauguration, Habibie appeared overawed. But he proved to be energetic and surprisingly liberal, given his long years of tutelage under the dictator. The liberal turn was all the more remarkable because Habibie had no real

mandate, and was not confident of his support among the military—most vitally—or the majority of the political elite, let alone the people. In a flurry of reform within days of taking office, Habibie started releasing political prisoners, freeing the press, discussing a permanent settlement to the status of East Timor, and steering the country in the direction of the first free elections since 1955. But Habibie lacked the powerbase or the confidence to direct military reform, one of the biggest items on the democratisation agenda. This Habibie left almost entirely to the generals.

Given their provenance, the military reforms in this era of democratic restoration were impressive. Demonstrating the generals were not impervious to popular sentiment, the armed forces commander Wiranto, who largely owed his ascension to a period as adjutant to Suharto, initiated a series of measures to withdraw the military from political activity. In addition to those noted above, TNI severed its formal links to the then ruling Golkar party, which had been used by Suharto to engineer successive election victories, and pledged neutrality in elections. Serving officers were proscribed from running for political office, departments in the TNI charged with overseeing its social and political role were abolished and so was the system of *kekaryaan*, in which jobs were found for serving and retired generals in everything from state-owned enterprises to regional governments.<sup>9</sup> This officially brought to an end the doctrines of the ‘middle way’ and *dwi fungsi*, or dual function, which had justified the vast military engagement in society and politics since the 1960s.

Thereafter, security sector reform proceeded with a mix of advances and regressions. Some areas proved intractable. The army’s system of territorial deployments, justified partly as a defence concept and partly as an internal security concept, was retained. It was by way of territorial deployments that TNI maintained a military structure that paralleled civil administration all the way down to the village. It facilitated access to both information and control that helped underpin the authoritarian state. TNI proved equally reluctant to give up ownership of a great web of business enterprises, legal and illegal, ranging from conglomerates to small businesses or to make its soldiers subject to legal censure for a litany of past human rights abuses.

In the following years, the course of reform was largely linked to the qualities of successive presidents, the mindset of the senior officer corps and the state of security conditions in the country. The stop-start pattern of reform

---

<sup>9</sup> Leonard C. Sebastian and Iisgindarsah, ‘Assessing 12-year Military Reform in Indonesia: Major Strategic Gaps for the Next Stage of Reform’, RSIS Working Paper No. 227 (Singapore: S. Rajaratnam School of International Studies, 2011).

that emerged after Habibie's electoral defeat in 1999 has been thoroughly catalogued elsewhere and will only be briefly described here.<sup>10</sup>

Under Abdurrahman Wahid, an attempt was made to consolidate civilian control over the security sector by replacing generals closely associated with the New Order with officers known for reformist ideas. Wahid abolished some state bodies associated with the security state of Suharto, appointed a civilian defence minister, initiated the practice of rotating the post of armed forces commander among the three services and encouraged proposals to unwind the territorial command system. But his erratic leadership and eventual impeachment in 2001 brought security sector reform to an abrupt end. From 2001, security sector reform languished under Megawati Sukarnoputri and the "reform sceptics"<sup>11</sup> she appointed to senior military positions. An attempt at a ceasefire and peace settlement in the bitter separatist conflict in Aceh, opposed by military hardliners, eventually failed and resulted in one of the biggest military operations against the rebels. Nonetheless, some important gains were made during Megawati's tenure. First, the terrorist attacks on the United States in 2001 and, especially, in Bali in 2002 saw the police gain access to greater resources and training, particularly in partnership with international police and aid agencies. The policing breakthroughs in the Bali bomb investigation and subsequent operations against Jemaah Islamiyah won the police kudos for effective law enforcement and helped to assert its role in internal security and as the leading counter-terrorism agency. Secondly, parliament passed the 2002 State Defence Act and the 2004 TNI Act on Megawati's watch. In theory at least, these two laws strengthened the capacity of parliament to monitor budgets and operations, increased the role of civilians in formulating defence policy and enabled the transfer of military businesses to state control.

But none of these reform opportunities were implemented under Megawati's presidency. It was not until Susilo Bambang Yudhoyono won Indonesia's first direct presidential election in 2004 that the country appeared to have a leader with both the unquestioned popular mandate and experience to push further security sector reform. Yudhoyono was a moderate former general and had served as coordinating minister for political and security affairs under both Wahid and Megawati. Indeed, Yudhoyono made an enduring contribution to getting the army back to the barracks by overseeing a successful peace agreement in Aceh. The resolution of the conflict might have had just as much to do with the devastating effect of the 2004 tsunami on combatant forces and the international scrutiny that accompanied the massive humanitarian aid effort as with the individual agency of the president. But even if Yudhoyono was favoured by external forces, he still deserves credit for seizing the opportunity to lead the peace. The settlement of the separatist conflict resulted in the retreat of the TNI from one of the last

---

<sup>10</sup> Mietzner, *Military Politics, Islam, and the State in Indonesia*.

<sup>11</sup> *Ibid.*, p. 227.

parts of the country where it could exercise a free hand in internal security. It had been a bloody battleground on which the security forces had been regularly accused of abuses of basic rights and human rights crimes.

On other measures of security sector reform, Yudhoyono proved a disappointment, on which more will be said below. Now two years into his final five-year term, Yudhoyono is yet to show he is willing to tackle a substantial unfinished agenda in this field, without which civilian control over the security sector will remain incomplete. Edward Aspinall has noted the effect of the past thirteen years of reform has been to all but eliminate the military's role in "high politics". But he is one of a number of analysts who fears that "future crises—whether precipitated by economic problems, electoral paralysis, or some other cause—could see a return to military intervention".<sup>12</sup> The bulwark against such a scenario is the consolidation of civilian control over the security sector, the challenges to which are addressed below.

## **Toward Civil Supremacy: The Reform Challenge**

### **THE MILITARY IN POLITICS AND SOCIETY**

The official line from TNI headquarters that the military will stay out of politics does little to allay the suspicions of civil society actors, particularly those with memories of the repressive policies of the New Order. It is perhaps for this reason that TNI commanders still feel a need to periodically deny any preferences or interests in the course of national politics. On 11 July, TNI chief, Admiral Agus Suhartono, made the kind of declaration that most defence force chiefs would feel entirely unnecessary when he said the organisation would not support any individual candidate for the presidency in 2014. "We do not offer support (to anyone)", he said. "That is what is called neutrality".<sup>13</sup> The repeated assurances from Suhartono and others of TNI's commitment to democracy reveal the extent to which the reputation of the military remains dogged by the past. But the promise to keep a distance from overt politics has been in evidence in successive elections since 1999. It is also borne out in a dramatic reduction in the number of former officers holding office in regional administrations and national and regional legislatures in recent years.<sup>14</sup>

Despite the record of military neutrality in elections, the failure to address several institutional and attitudinal impediments stand in contrast to the TNI's expressed desire to remain outside politics and focus its energies on becoming a professional armed force. There are four obvious problems that need to be addressed. First, the elaborate structure of territorial deployments

---

<sup>12</sup> Edward Aspinall, 'The Irony of Success', *Journal of Democracy*, vol. 21, no. 2 (2010), p. 24.

<sup>13</sup> 'Panglima Agus Suhartono: TNI Tidak Mendukung Capres 2014', *Republika*, 20 July 2011.

<sup>14</sup> Marcus Mietzner, 'Overcoming Path Dependence: The Quality of Civilian Control of the Military in Post-Authoritarian Indonesia', *Asian Journal of Political Science*, forthcoming.

remains in place. Secondly, the absence of sufficient budget funding leaves territorial units to engage in self-financing activities, including smuggling and illegal resource extraction. Thirdly, soldiers are still regarded as either above the law or subject to light treatment if they are found guilty of breaking it. And finally, the quality of civilian supervision over the military is poor and the lines of its authority remain blurred.

The survival of the territorial system is regarded by numerous analysts as the single greatest weakness in the security sector reforms carried out to date. Even before the fall of Suharto, proposals were put forward by individual military officers and civil society groups to either wind back or abolish the elaborate structure that matches a military command post to every level of government from the province down to the district, sub-district and village. Its defenders in the army maintain it continues to be relevant to Indonesia's concept of total people's defence and can contribute to combating potential separatist or terrorist threats. They insist it has nothing to do with either monitoring or controlling legitimate political activity.

There is a valid argument that the territorial system is less significant than it used to be for two reasons. First, the police appear to have eclipsed the army as an internal security force in the regions. Secondly, the vibrancy of regional democracy has helped sideline the military from local politics. Another argument for its retention is that territorial units are a vital part of TNI's employment structure. Of a 300,000-strong army about two-thirds are in territorial units. TNI would have to figure out what to do with all those redeployed soldiers and their officers, who would lose a long-established promotional pathway, meaning sudden abolition of the territorial structure could cause a whole new set of problems. For a start, redeployment would come at a considerable cost in infrastructure and salaries. One virtue of the territorial structure—at least from a TNI headquarters point of view—is that it is relatively low cost. That is in part because territorial units engage in small-scale or petty business to help fund themselves.

But the arguments for regarding the territorial system as a benign legacy of Indonesia's defence and security system are challenged by a logic that is familiar to strategic analysts. It is not intentions that count, but capabilities. Opponents of the territorial system contend that it could provide a key tool for the military to stage a successful intervention in politics should it chose to do so in the future. Agus Widjojo, a retired TNI commander of the territorial system, argues the lower echelons of the territorial system should be deactivated, but be able to be revived under emergency conditions.<sup>15</sup>

The second problem is the self-financing aspects of the territorial system. Although TNI might have sold or transferred to the state its large business enterprises, as it was required to do under the 2004 TNI Act, the territorial

---

<sup>15</sup> Conversation with Lt. Gen. (rtd) Agus Widjojo, 25 March 2011.

system continues to implicate regional units in a range of illegal business activities, including logging and mining. Even small-scale legitimate business can help form bad habits, creating a potential conflict between the soldier as servant of the state and the soldier as rent seeker or entrepreneur. At a national level, the continued reliance on off-budget funding, which by various estimates still ranges from 20 to 30 percent of total allocations even after years of large increases, undermines civilian oversight and effective defence planning. It can also reduce the degree of centralised control over army.

The third problem, which has its own links to the territorial structure, is the discipline of soldiers in their dealings with the civilian population. Soldiers are accused of too readily resorting to the use of force or the threat of force to resolve all manner of conflicts, including social disputes. Territorial units are often regarded as the worst offenders because of a lack of discipline and training and the fact they are embedded in communities. This behaviour is encouraged by the weakness of legal sanction against soldiers who are alleged to have broken the law. If convictions are awarded, as in the case of soldiers whose torture of Papuan villagers was shown on YouTube in late 2010, human rights groups often regard them as too lenient.<sup>16</sup> The alleged offenders in that instance were sentenced to eight to ten months in prison.

The matter of legal impunity has been an abiding concern since the fall of Suharto. Indonesia has largely avoided plangent reflections on the long record of human rights abuses in places like Aceh, Papua and East Timor, let alone shown any enthusiasm to uncover the truth and pursue culprits. Marzuki Darusman, a former attorney general and member of the DPR's Commission 1 under various administrations, said the courts in celebrated human rights cases had succumbed to a general mood in which avoiding "stigmatisation of the armed forces" as an institution was more important than individual prosecutions.<sup>17</sup>

But Darusman, who had responsibility for mounting the post-1999 human right cases over East Timor, does see improvement. Unlike the Suharto days, he argues that when human rights violations now occur they are likely to be the product of individual behaviour rather than of the institution and the soldiers are prosecuted. The exception, he notes, is Papua where "impunity continues to prevail". The sentences meted out to the offenders in the YouTube case "did not reflect the sense of justice of the community".

Leadership from the top on the issue of military justice is mixed. After the Papuan case made headlines, the Indonesian Government called in

---

<sup>16</sup> 'Indonesian Soldiers' Sentence for Papuan Abuse Video Too Light', Amnesty International, 24 January 2011, <<http://www.amnesty.org/en/news-and-updates/indonesian-soldiers'-sentence-papua-abuse-video-too-light-2011-01-24>> [Accessed 13 August 2011].

<sup>17</sup> Conversation with Marzuki Darusman, 16 July 2011.

diplomats from several countries, including Australia and the United States, to inform them that investigations would be pursued and prosecutions would be swift. Still, there are doubts the prosecutions represent a significant change in approach to dealing with human rights abuses. The Papuan case gained notoriety because of a video of the soldiers' actions appeared in the Internet. Proposals for systematic reform of military justice continue to languish. A draft military justice bill that would allow offences committed by off-duty soldiers to be tried in civilian courts, among other reforms, has been awaiting parliamentary approval for years.

The legislative delay highlights the fourth problem. Since the election of Yudhoyono in 2004, there has been a noticeable loss of momentum in finishing the job of security sector reform. The president's caution and deliberative style are frequently cited as reasons for policy inertia. The government has even avoided some simple and symbolic measures. Strangely, the TNI commander continues to have a seat in the Cabinet, which undermines the role of the civilian defence minister and confuses the chain of authority. Yudhoyono has insisted soldiers alleged to have committed human rights abuses face justice, as he did in the YouTube case, but he has avoided institutional reform such as pressing for changes to the territorial structure or passage of military justice law.

The absence of progress cannot be ascribed to Yudhoyono alone. The parliament, and Commission 1, its main organ in military matters, are viewed as not up to the task of supervision because of the "limited expertise" of legislators, the lack of expert staff, "political rivalries among civilian elites" and insufficient information provided by the Defence Ministry.<sup>18</sup> The lack of policies or guidance from the major political parties further constrains the debate over military issues or the confidence of legislators to take a stand on an issue. Mietzner has argued for the greater significance of individual agency over structural constraints in influencing the course of security sector reform in Indonesia since 1998, and this is especially evident in the performance of the parliament, the political parties and the government in dealing with the unfinished reform agenda.<sup>19</sup> There is no question the democratic institutions have acquired the legal instruments to improve oversight and implement further reform. They are simply not utilised.

If the parliament or the government chose to press for another wave of security sector reform, the military would not be in a strong position to resist. The reluctance is due to a combination of factors, including an ill-founded view among political elites that enough has been done to bring the military under civilian authority and further reform might be counterproductive. According to Darusman: "There has been a push back, that we have done

---

<sup>18</sup> Sebastian and Iisgindarsah, 'Assessing 12-year Military Reform in Indonesia', p. 29.

<sup>19</sup> Mietzner, 'Overcoming Path Dependence'.

enough reform, as much as the armed forces can take without pushing them into a corner; without completely disabling them as a force”.

The push back is evident in suggestions put forward by retired deputy army chief, Kiki Syahnakri, and backed by several colleagues, for the military and other so-called ‘functional’ or professional groups to have their right to permanent seats in the MPR restored. Syahnakri colourfully argues Indonesia is now drunk on democracy. “It’s like wine”, he said. “One or two glasses are good for your health, but with two bottles you become drunk. Now we are too drunk on liberalism.”<sup>20</sup> The implication is that the military might one day need to play a stabilising role, curbing some of the excesses of the political parties.

Civil rights groups and lawyers are less sanguine than the politicians about the persistence of such views. It is why they are inclined to speak emotively about the dangers of a return to New Order days at the first hint that security agencies might receive new powers.<sup>21</sup>

The two laws currently before the parliament on national security and intelligence both fill necessary legal gaps. The absence of regulation and coordination of intelligence agencies is a missing piece of security sector reform. But there are concerns that the laws could hand too much power to agencies that were central to the repressive apparatus of the New Order. News reports that the State Intelligence Agency (*Badan Intelijen Negara* or BIN) has provided information to the president on the activities of political parties lend validity to those concerns.<sup>22</sup>

The focus of complaints has been on proposals in the intelligence bill to give BIN powers of detention, ‘intensive interrogation’ and wiretapping in cases of suspected terrorism, separatism or subversion. There are also concerns over whether the national security bill would expand the security powers of the president, particularly in determining threats to national security and employing emergency authority. Debate over the two bills has some way to go and there are good prospects that parliament will impose sensible limitations on the use of additional powers of investigation and detention.

Nonetheless, the combination of the inactivity of the government and parliament in security sector reform and proposals to strengthen the powers of key security agencies suggests efforts to entrench the institutional control of civilians over security matters are at an end, at least for the remainder of Yudhoyono’s term. If anything, the trend is in the other direction.

---

<sup>20</sup> Conversation with Kiki Syahnakri, 18 July 2011.

<sup>21</sup> See for example, Koran Tempo, “Sejumlah Pasal RUU Kamnas Dinilai Berpotensi Munculkan ‘Kopkamtib’”, 29 June 2011; Koran Tempo, “RUU Keamanan Nasional Nilaian Berpotensi Munculkan Konflik HAM”, 4 July 2011.

<sup>22</sup> ‘SBY Blames Others for Dems’ Turmoil’, *Jakarta Post*, 30 May 2011.

## **THE CHALLENGE OF INTERNAL SECURITY**

The second front on which the contest over the appropriate role of the military is being waged is internal security. There are numerous aspects to this issue, but only two will be considered here because of their potential to have a significant impact if dealt with effectively. The first is the relationship between the police and the military in managing internal security, and the readiness of the police to do so. The second is the issue of the low-level insurgency and demands for independence in Papua.

Following separation from the military in 1999, the police emerged as the preeminent agency in managing internal security. In the early period of the economic transition, the outbreak of large-scale sectarian and ethnic conflicts in provinces like Maluku, Sulawesi and Kalimantan proved it was ill-equipped to manage the task. Perceptions started to change with the emergence of terrorism as the politically-dominant internal security challenge. The ability of the police, with the assistance of international agencies, to quickly capture most of the key figures behind the October 2002 Bali bombing was the catalyst for a remarkable transformation in the assessment of its competence to handle a complex threat. Several other bombings occurred in the following years, although nothing on the scale of Bali, as the police succeeded in largely containing the threat of Jemaah Islamiyah.

But the fundamental issue of the balance of responsibilities between the police and the military in internal security operations remains unresolved. The existence of myriad internal security threats, and of a relatively benign external threat environment, has meant that the military has historically viewed its mission of protecting Indonesia's territorial integrity as a fight against separatism and civil conflict. Despite the presumption that TNI should increasingly focus on external defence, it is widely accepted that it needs to be available to meet high-intensity internal security threats. The laws enacted since 1998 in an attempt to codify the role of TNI under democracy are deliberately vague about the circumstances which might require domestic deployment.

The only way that to ensure TNI becomes a professional defence force, focused on meeting external challenges, is for the police force to increase its capacity to meet the almost inevitable civil conflicts that will arise in a country as religiously and ethnically diverse as Indonesia. Given the valid concerns about internal stability, it is likely abolition of the TNI territorial structure would only occur in tandem with increased confidence in the capability of police in the regions. Yet capacity-building and structural reform of the police is an often-neglected part of the discussion about creating a more modern, democratic security sector. The millions of dollars in international aid that has been channelled into the police since the emergence of the JI threat have largely been spent on building high-end capabilities in police science and investigation. Foreign trainers and aid agencies working with

the police say there are still significant gaps in basic policing standards and oversight which grow the further police are located away from the cities.

The focus by international partners on improving technical sophistication is understandable. It is in the interests of foreign governments to see improvement in the ability of the Indonesian police to cooperate on transnational crime, including terrorism, people smuggling, drug trafficking and money laundering. For all its obvious merit, improved capability in these areas means little to ordinary Indonesians. Their expectations of the police are far more mundane. And it is in the performance of mundane duties that the role of the police can have the greatest impact in either strengthening or undermining democracy. The everyday experience of Indonesians with the police, whether through scandal in the media or personal contact, is not always good. The increased responsibility of the police for maintaining security and order has opened new avenues of commercial activity and corruption. Moreover, the police enjoy a sense of legal impunity that is as great, if not greater, than the military.

There are numerous areas where reform could be pursued from improved oversight to law and order capability. A new police law was passed by the parliament in 2002 to bring the police into the democratic era. But the changes police have made are often criticised for being cosmetic, such as the adoption of a less martial uniform and rank structure, while accountability is poor.<sup>23</sup> One obvious anomaly in supervision is that the chief of police still reports directly to the president. This is especially strange given that Abdurrahman Wahid drew on this authority in an attempt to obtain the intervention of the police against his impeachment in 2001. A simple and overdue administrative reform is to have the police answer directly to either the ministries of home affairs or justice. This could also have the benefit of easing some of the civil society concerns about the planned national security and intelligence laws. But the bottom line is that one of the greatest contributions to improving civilian authority in the security sector will be the creation of a more professional and capable police force that is not above the laws that it is supposed to uphold.

The second internal security challenge addressed here is the low-level insurgency in Papua.<sup>24</sup> As in the case of Aceh, a political solution to the Papuan problem has the potential to greatly strengthen civilian authority in the security sphere. As Mietzner noted, as long as conflict persisted in Aceh “the military was unlikely to subordinate itself to democratic rule”, budgetary

---

<sup>23</sup> Arifah Rahmawati and Najib Azca, ‘Police Reform from Below: Examples from Indonesia’s Transition to Democracy’, in Reginald Austin et al (eds), *Democracy, Conflict and Human Security: Further Readings* (Stockholm: International IDEA, 2006).

<sup>24</sup> The name Papua is used here to describe the western half of the island of New Guinea and associated smaller islands. In 2004, Indonesia divided the territory into two provinces Papua and West Papua. The independence movement prefers the title West Papua for the whole area.

supervision or accepted human rights standards.<sup>25</sup> In theory, the reduction of internal conflict also narrows the political space for the army.

Papua represents the last of the major separatist conflicts. Separatist sympathies exist in pockets elsewhere in the country, but none have the political, economic or security salience of Papua. Therefore, reaching a lasting agreement on the political status of Papua would pay enormous domestic and international dividends. It would be a big fillip to security sector reform and to strengthening democracy. And it would go a long way to erasing lingering suspicions among a critical international audience that even democratic Indonesia still harbours authoritarian tendencies. It would certainly ease the way for deeper security sector cooperation with countries like Australia and the United States.

The clear lesson of Aceh is that a military solution will not work. Ironically, the level of the military challenge posed by the Free Papua Movement (*Organisasi Papua Merdeka* or OPM) is sufficient to justify a significant military presence—estimated to be about 15,000 troops—but too small to ensure Papua receives the political urgency that was accorded to Aceh, leading to the 2005 settlement. The Papuan problem is also likely to prove more complex and resistant to resolution than Aceh for a combination of historical and internal reasons. For a start, Papua was a late addition to the republic and the disputed validity of the instrument of incorporation, the 1969 Act of Free Choice, has helped keep the issue of Papua's ultimate status alive among pro-independence Papuans and a disparate group of international politicians and activists. In the years since Papua's integration it has experienced a level of spontaneous and government-sponsored migration that has made it a less ethnically and religiously homogenous society than Aceh. The Papuan independence movement also lacks the cohesion of the Free Aceh Movement (*Gerakan Aceh Merdeka* or GAM). GAM might have suffered breakdowns in discipline at a tactical level, but was surprisingly unified at a strategic level, including between its military and civilian arms. The OPM is more a loose collection of armed groups opposed to Indonesian rule and the influx of outsiders than a united guerrilla force. The size and geographical and tribal diversity of Papua make it harder to achieve the political solidarity and unity of purpose enjoyed by the earlier independence movements in Aceh or East Timor. It is also worth noting the ultimate catalyst for a solution in Aceh was probably not an epiphany by enlightened men but an act of God, the 2004 tsunami.

There are signs that Yudhoyono is serious about trying a new approach in Papua. One of those favoured to lead a renewed effort by Jakarta to find a solution is Bambang Darmono, who was military commander of the Aceh military region at the time of the tsunami and 2005 peace deal. Darmono, now retired, was a moderate officer who would like to see the early

---

<sup>25</sup> Mietzner, *Military Politics, Islam, and the State in Indonesia*, p. 299.

withdrawal of Indonesian troops from the field in Papua.<sup>26</sup> He acknowledges one of the biggest obstacles to a solution has been the absence of drive and coordination from Jakarta, which could be rectified with the creation of a dedicated unit in the government to deal with Papuan issues, a long-discussed idea that is yet to be acted on. Darmono would like to see the government embrace a bold initiative, including explicit legal recognition of Papuan land rights, which he describes as fundamental to “recognition” and “dignity” for Papuans. At the time of writing, there were indications that Yudhoyono was about to issue a presidential regulation to clear the way for a new Papua strategy.

The instincts of TNI are likely to be to resist any arrangement that it perceives as creating political space for the OPM. Many senior officers still smart over the way the Aceh settlement allowed GAM to dictate the political agenda under autonomy. In the mindset of the conservatives this was a betrayal of what they view as the sacrifices of blood made in the fight against the insurgency. There is little evidence that the experience in Aceh has fundamentally altered TNI’s approach to counter-insurgency. It has vowed to aggressively pursue OPM rebels after some shooting incidents in early August in which two soldiers were killed and it appears to have no effective strategy for winning over the population in operational areas.<sup>27</sup>

Therefore, any attempt at a settlement by Jakarta faces the old dilemma of having to overcome military suspicions as well as those on the pro-independence side. Recent efforts at opening a dialogue have only resulted in a hardening of positions. If Yudhoyono is sincere and wants to advance a solution, he will also need to break the pattern of a cautious presidency. There are clearly considerable dividends, domestically and internationally, for him and the country from a political solution in Papua. It would help secure his personal legacy. But great deeds are getting harder to perform as the end of the president’s term nears in 2014.

## Conclusion

Since 1998, Indonesia has experienced a remarkably successful democratic transition. Democracy, however, is far from having consolidated. It has its critics. Disappointment with the way the political game is played, the ubiquity of corruption and the failure to end a patrimonial business culture has led many Indonesians to question the benefits of democracy. For those conservatives from the military and civilian elite who have favourable memories of the stability of the New Order, if not always the means by which it was achieved, the pendulum has swung too far in favour of liberty at the expense of effective government. Given the opportunity, they would gladly see something of a restoration of military influence in politics and society and

---

<sup>26</sup> Conversation with Maj. Gen. (rtd) Bambang Darmono, 19 July 2011.

<sup>27</sup> ‘Military Vows Crackdown in Papua Province’, *Jakarta Post*, 7 August 2011.

are more open in discussing such scenarios than at any time since the fall of the New Order. Serving officers are careful to at least publicly reiterate their support for democratic politics and disinterest in the machinations of the political parties, but the senior ranks of TNI grew up under the New Order and undoubtedly share some sympathies with the views of more outspoken retired colleagues and conservative civilians. For now, the criticism of democracy is constrained by the weight of public opinion that there is no obvious alternative than to try to make it work, despite its many failings. That said, a recent opinion poll in the newspaper Kompas found that about half of Indonesians in lower and middle education categories (the majority of the population) preferred the next president to have a military background<sup>28</sup>.

Security sector reform will be one of the main fields on which the contest over the direction of democracy is played out. Although the reforms made to date have been essential to securing democracy, they are far from complete. The military has significantly retreated from political and social life and turned over much of its role in internal security to a stronger police force, while intelligence agencies have been operating under normative constraints that are more consistent with democratic practice. Another wave of institutional reform would entrench that state of affairs and provide some insurance against regressive ideas. The current state of Indonesian politics suggests that is unlikely. At a time of growing political uncertainty, ahead of 2014 presidential elections at which Yudhoyono must step down, there appears to be little appetite to push for further institutional concessions from the security services in the name of democratisation. The current attitude of the government is to favour vigilance against security threats and instability over the less tangible rewards of greater civilian authority over security matters—as demonstrated by its support for the new security provisions in the intelligence and national security laws. This has prompted some concern among civil society groups about a potential democratic rollback.

The state of security sector reform also has international significance. Australia and the United States have a strong strategic interest in trying to rebuild defence cooperation with Indonesia, which never quite recovered from the depths it fell to during the crisis over East Timor. Loss of momentum for security sector reform would make engagement potentially more difficult and more important. Defence cooperation is obviously easier to sell to domestic constituencies in the West if Indonesia avoids controversy over issues like legal impunity for human rights violations and the conduct of security operations in Papua. On the other hand, international engagement can help bring about the desired changes in behaviour. It can give Canberra and Washington crucial leverage on sensitive topics like a new approach to Papua. US officials regret the loss of influence they experienced with the Indonesian military when the defence relationship, including military

---

<sup>28</sup> Kompas, "Menakar Sosok Calon Presiden", 15 August 2011.

supplies, was cut-off in the 1990s. Australia too has never restored the closeness of its relationship on security matters to the levels experienced before the conflict over East Timor, notwithstanding the intense cooperation between Indonesian and Australian police in counter-terrorism.

If the security sector reforms of the past decade are to be secured and moved forward, the initiative will not come from the security services themselves. They feel they have conceded enough. In any case, the problem is not so much one of military recalcitrance as civilian weakness. One of the lessons of the democratic transition is that the actions of individual political leaders and the degree of unity among political elites is one of the main determinants of the quality and quantity of government policies to reform the security services.<sup>29</sup> For the policy momentum to be restored, it will require a president and a parliament capable of uniting around a new reform agenda. The chances of that happening in the lead-up to the 2014 elections are low.

*Donald Greenlees is a PhD candidate at the Strategic and Defence Studies Centre, Australian National University, focusing on Indonesian strategic and foreign policy. He has worked for the past 15 years in Asia as a staff correspondent for publications including The International Herald Tribune, The New York Times, The Far Eastern Economic Review, The Wall Street Journal and The Australian. [donald.greenlees@anu.edu.au](mailto:donald.greenlees@anu.edu.au)*

---

<sup>29</sup> Mietzner, 'Overcoming Path Dependence' has highlighted the significance of conflict among civilian elites and human agency in shaping the direction of security sector reform.



## Need genuine thought leadership and tangible solutions?

### **JBS is a trusted adviser to Australia's National Security and Defence community.**

We provide specialist business management and strategic advice to help our clients solve their complex problems. Our expertise across the following services is proven:

- Futures Analysis
- Strategy Development
- Risk Assessment
- Solution Design
- Performance Review

Our team of over 50 subject matter experts possess unique insight into the security challenges facing Australia, which has allowed us to:

- Facilitate Australia's review of its counter-terrorism capabilities and coordinate the rewrite of the National Counter-Terrorism Handbook.
- Develop and implement Australia's inaugural 'Sky Marshal' program.
- Lead the review of Australia's participation in the international Cyber Storm III exercise.
- Develop high level business requirements, solutions architecture and detailed costing models for the National Secured Personal Property Register.
- Review training and business models for the Protective Security Training Centre and the Australian Emergency Management Institute.

Find out how we can  
help your organisation:  
call **+61 (0)2 6162 1149**  
visit **[www.jakeman.com.au](http://www.jakeman.com.au)**

A member of  
The Citadel Group Limited

**JBS – your trusted adviser**



---

# Growing Convergence, Greater Consequence: The Strategic Implications of Closer Indonesia-China Relations

Greta Nabbs-Keller

Indonesia's relationship with China has been characterised by a history of enmity, but residual concerns belie increasing economic and foreign policy convergence boosted by the positive effects of democratisation on Indonesia's perceptions of the Chinese. This article will argue that the growing convergence of interests between Indonesia and China is a positive development for Australia. China's rise has provided the engine of growth for Southeast Asia's largest economy and has increasingly cemented Indonesia's importance in the ASEAN-centred regional order. For Australia, it means a stronger, stable, and more prosperous neighbour next door with natural 'antibodies' against Chinese assertiveness.<sup>1</sup>

In a 2008 book on the rise of Asia and the transformation of geopolitics, William Overholt, the Director of Rand Corporation's Centre for Asia Pacific Policy, made the following argument about Indonesia:

A reviving Indonesia, with its vast territory, large population, and determination to lead the region, still zealously guards against any hint of emergent Chinese hegemony. Even more than other countries in the region, Indonesia has powerful antibodies to any hint of strong Chinese assertion.<sup>2</sup>

It was Overholt's contention that although the US "had lost stature in Southeast Asia ... [this] did not presage Chinese dominance".<sup>3</sup> Overholt is absolutely correct about Indonesia's wariness of China and indeed relations have been characterised traditionally by high political drama and a history of enmity. But residual Indonesian concerns about China are only part of the story. They belie ever closer economic and foreign policy convergence boosted by the positive effects of democratisation on Indonesia's perceptions of the Chinese. Relations between East Asia's two largest states have undergone a remarkable transformation in the period of

---

<sup>1</sup> The author would like to acknowledge the contribution of Beni Sukadis and Henwira Halim of the Indonesian Institute of Defence and Strategic Studies (Lesperssi) to aspects of this article. The author alone takes full responsibility for this text.

<sup>2</sup> William Overholt, *Asia, America, and the Transformation of Geopolitics* (Cambridge: Cambridge University Press, 2008), pp. 183-4.

<sup>3</sup> *Ibid.*, p. 184.

Indonesia's democratisation, with significant implications for the broader security and prosperity of the Indo-Pacific region.<sup>4</sup>

This article will argue that the growing convergence of interests between Indonesia and China evident over the last decade is a positive development for Australia. China's rise has provided the engine of growth for Southeast Asia's largest economy and has increasingly cemented Indonesia's importance in the Association of South East Asian Nations (ASEAN)-centred regional order. For Australia, it means a stronger, stable, and more prosperous neighbour next door with Overholt's natural antibodies against Chinese assertiveness. Although Indonesia's relationship with China remains characterised by dichotomous elements—friendship versus residual distrust, economic complementarity versus competition—Indonesia has sought to maximise the opportunities inherent in China's rise, whilst continuing to hedge against the strategic uncertainties posed by China.

This article is divided into two key sections. The first section will briefly explore the historical and cultural basis of Overholt's argument and then explain how Indonesia's post-1998 democratisation experience resulted in important institutional, ideational and policy shifts, which improved Indonesian perceptions of China and facilitated the expansive and comprehensive bilateral relationship evident today. The second section of the article will examine the strategic implications of closer relations between Indonesia and China from an Australian perspective. It argues that the implications of shifting power dynamics in the Indo-Pacific have seen Indonesia emerge as a key arbiter of the ASEAN-centric regional order and as a corollary to this, increased Beijing's reliance on Jakarta for its regional foreign policy objectives, natural commodity and energy security needs. Indonesia's importance to China and its residual wariness of China's regional politico-security ambitions will therefore serve as a moderating influence on China's foreign policy behaviour, mitigating against the likelihood of regional armed conflict between China and Southeast Asian states.

## **Historical Enmities and Regime Change**

### **'THE CHINESE MENACE'**

To understand the considerable improvement in Indonesia-China relations over the last decade, one must appreciate the strength of historical animosities toward the Chinese state and ethnic Chinese in Indonesia, and the degree to which the military had justified its political hegemony based on the threat of communist subversion. It is these domestic political factors, in

---

<sup>4</sup> 'Indo-Pacific', rather than 'Asia-Pacific' is a term used by Michael Wesley in his latest book to include the economic and strategic importance of India in addition to key Southeast and Northeast Asian states, in what he describes as the "Indo-Pacific power highway", see Michael Wesley, *There Goes the Neighbourhood: Australia and the Rise of Asia* (Sydney: New South Books, 2011), see pp. 8, 87.

addition to Indonesia's enduring strategic concerns about China, which form the basis of Overholt's 'antibodies' argument. Indonesia's second president, Suharto, officially came to power in a 1965 counter coup against communist and sympathetic military elements. Jakarta's growing political alignment with Beijing under first president, Soekarno, had culminated in the months prior to the coup attempt in Indonesia's withdrawal from the United Nations and the announcement of a political axis between Indonesia and China. Awash with rumours that Beijing was arming the PKI (*Partai Komunis Indonesia*, Indonesian Communist Party) political tensions in Indonesia exploded violently and spectacularly following 30 September 1965.

The anti-communist credentials of Suharto's New Order regime became an important source of its domestic political legitimacy and an excuse for repression of dissent and denial of ethnic Chinese their basic rights. Perpetuation and promulgation of internal security threats by the New Order, including the triangular threat found in the nexus between Indonesia's ethnic Chinese population, the PKI and Beijing's communist government, became a useful tool for preserving the legitimacy of the New Order regime and an excuse for ongoing authoritarian and repressive measures. Although the extent of direct Chinese involvement in the 1965 coup attempt remains unclear and has been repeatedly denied by Beijing; there is no doubt that China had actively supported the PKI through funding, coerced and leveraged its influence through Indonesia's ethnic Chinese community, and indicated its willingness to arm an Indonesian 'fifth force'.<sup>5</sup>

China's export of its revolutionary foreign policy to Southeast Asian states and its moral and financial support to regional communist insurgencies was one of the greatest stumbling blocks for China's rapprochement with Southeast Asian states. The animosities were particularly acute in Indonesia with the ascendancy of a military regime who had come to power through a systematic political and physical elimination of the left. For example, Chinese embassy and consular assets were attacked and destroyed in the months following the coup attempt. In tit for tat responses, Indonesian diplomats and their offices were targeted for violent reprisals within China.

The New Order dealt with the internal dimensions of its "Chinese problem" through a policy of assimilation and through the systematic codification and

---

<sup>5</sup> For Premier Zhou Enlai's support for an Indonesian 'fifth force' of peasants and labourers see Agung, Ide Anak Agung Gde, *Twenty Years of Indonesian Foreign Policy 1945-1965* (The Hague and Paris: Mouton, 1973), p. 441. Merle Ricklefs described the Jakarta-based 'Bank of China' as the PKI's main source of Chinese financial aid, see Merle Ricklefs, *A History of Modern Indonesia Since 1300* (London: MacMillan, 1991), p. 277. In the months following the coup Peking labelled the new regime "reactionary and fascist", defended the PKI and gave some of its leaders political asylum, see Leo Suryadinata, *Pribumi Indonesians, The Chinese Minority and China: A Study of Perceptions and Policies* (Singapore: Marshall Cavendish, 2005), p. 162.

implementation of discriminative measures against its Chinese minority.<sup>6</sup> Externally it manifested itself in Indonesia's de facto alliance with the West and a regional foreign policy premised on building Southeast Asia's resilience as a strategic buffer against China. Indonesia's highly polarised domestic political context preceding the coup and the trauma of subsequent bloodletting, established the foundations of intense distrust and enmity toward China. "Pathological Sinophobia", as one analyst characterised it came to define Indonesia-China relations under the New Order with diplomatic relations "frozen" for twenty-three years.<sup>7</sup>

### THE "NORMALISATION" OF DIPLOMATIC RELATIONS

Although the normalisation of diplomatic relations came in 1990 it did not represent the positive disjuncture in relations as anticipated by China. In particular, it did not erase resentment and distrust of the Chinese, and particularly the negative association between Indonesia's ethnic Chinese community and the Chinese state in the minds of many *pribumi* (indigenous) Indonesians.<sup>8</sup> Although China's material support for Southeast Asian communist movements largely ended as a result of Deng Xiaoping's post-1978 reforms, which saw China recast its foreign policy from a Maoist revolutionary agenda to a regional foreign policy predicated upon 'good neighbourliness', the 'latent danger' of Chinese communism was an ever present threat in New Order constructs.<sup>9</sup>

Key structural constraints remained at the domestic level in Indonesia which prevented closer relations, including ongoing discriminatory measures against Indonesia's Chinese community and the convenience of the 'China threat' for the military as an instrument for shoring up its political legitimacy. Indonesia adopted a "wait and see" approach toward China during the

---

<sup>6</sup> In June 1967 the New Order 'Ampera' Cabinet promulgated 'The Basic Policy for the Solution of the Chinese Problem' aimed at accelerating assimilation or '*pembauran*', see Mely Tan, 'The Social and Cultural Dimensions of the Role of Ethnic Chinese in Indonesian Society', *Indonesia*, vol. 51 (1991), p. 114.

<sup>7</sup> "Pathological sino-phobia" was an expression used by Geoffrey Gunn, see *New World Hegemony in the Malay World* (Eritrea: The Red Sea Press, 2000), p. 74.

<sup>8</sup> Factors behind negative perceptions of Indonesia's Chinese community stem back to third century historical events, but are centred on doubts about the loyalty of ethnic Chinese to the Indonesian state; perceptions of Chinese exclusivity and arrogance; and *pribumi* resentment about the economic dominance of the ethnic Chinese, purported to be 5-7 percent of the population controlling around 70 percent of the Indonesian economy. But such figures "lack conclusive evidence" according to Centre for Strategic and International Studies (CSIS Jakarta) researcher, Evan Laksamana, see Evan Laksamana, 'Dimensions of Ambivalence in Indonesia-China Relations', *Harvard Asia Quarterly*, vol. XIII, no. 1 (Spring 2011), p. 27.

<sup>9</sup> Indonesia made the normalisation of diplomatic ties with China contingent upon a clear statement from Beijing that it no longer supported the PKI. China's ongoing ambiguity about support for the PKI helped the anti-normalisation case within Indonesia, see Justus Van Der Kroef, "Normalizing" Relations with China: Indonesia's Policies and Perceptions', *Asian Survey*, vol. 26, no. 8 (August 1986), p. 910.

1990s, preferring to keep engagement largely indirect and multilateral.<sup>10</sup> At a regional level, China's military modernisation program and South China Sea territorial claims, which seemed to include Indonesia's Natuna Islands, became Indonesia's principal strategic concern.<sup>11</sup>

But in 1997 South China Sea tensions were quickly overshadowed by a much more deleterious regional development in the form of the Asian financial crisis. Wracked by unrest, rising food prices and broad public resentment against perceived Western affronts on Indonesia's dignity and sovereignty, the financial crisis destroyed the New Order's political legitimacy based on thirty years of economic growth. President Suharto resigned in May 1998 amidst mass protests demanding '*reformasi*'. The tumultuous political events presented an opportunity for a new era in Indonesia-China relations for which Beijing had positioned itself brilliantly.

China's embrace of East Asian regionalism from the mid-1990s, for instance, helped to engender greater trust and confidence in Southeast Asian states. The invocation of a common Asian identity and shared normative outlook, particularly around non-alignment, sovereignty-based norms, and ASEAN's consensus approach to conflict resolution, helped transform previously antagonistic relations into ones marked by unprecedented levels of cooperation and interdependence. Beijing's skilful response to the Asian financial crisis, evident in its refusal to devalue its currency, generous economic assistance, and conscious attempts to contrast itself to the punitive approach of the International Monetary Fund (IMF) and by extension, the United States, resonated positively throughout Southeast Asia.<sup>12</sup>

At this juncture Indonesia increasingly saw China as a constructive and responsible regional power, and Indonesia's greater receptivity to closer relations around this period can be understood in both pragmatic and normative terms. Indonesia's need for Chinese aid and investment, for example, including the capital of Indonesian Chinese entrepreneurs who had fled the brutal May riots in Jakarta during 1998, combined with mass refutation of the political instruments and ideological constructs of the New Order. The economic and political dimensions of the crisis which Indonesia faced between 1997 and 2001, combined to spur a paradigmatic shift in

---

<sup>10</sup> Sukma argued that as other ASEAN countries began to deepen their relations with Beijing in the early 1990s, Indonesia pretty much sat on the sidelines, see Rizal Sukma, 'Indonesia-China Relations: The Politics of Re-engagement', *Asian Survey*, vol. 49, no. 4 (2009), p. 595.

<sup>11</sup> Indonesia's Natuna gas reserves are one of the largest in the world, at an estimated 210 trillion cubic feet, see Douglas Johnson, 'Drawn into the Fray: Indonesia's Natuna Islands Meet China's Long Gaze South', *Asian Affairs: An American Review*, vol. 24, no.3 (1997), p. 153.

<sup>12</sup> China offered Indonesia a \$200 million economic loan package and participated in the International Monetary Fund's rescue plans see respectively Alice Ba, 'China and ASEAN, Renavigating Relations for a 21<sup>st</sup>-century Asia', *Asian Survey*, vol. 43, no. 4 (2003), p. 637; Sukma, 'Indonesia-China Relations', p. 599.

Indonesia's approach toward the Chinese, with positive implications for Indonesia's relations with China and its ethnic Chinese community.

### **CRISIS AND REFORMASI: A PARADIGMATIC SHIFT**

Bilateral relations had been 'satisfactory' but constrained following the resumption of diplomatic ties in 1990, but the financial crisis and regime change in Jakarta, unlocked considerable unrealised potential that both parties were keen to take advantage of. The interim president, Jusuf Habibie, began the dismantling of discriminatory measures against Indonesia's ethnic Chinese. But it was Indonesia's first democratically elected president, Abdurrahman Wahid, who was overt about a different policy approach to China and Indonesia's Chinese community, with both aspects important to his government's 'democratic' political legitimacy. Cognisant of broad anti-Western sentiment in Indonesia following the IMF's perceived condescension during the financial crisis and the subsequent loss of East Timor following an Australian-led UN military intervention, Wahid turned to China, (along with India and ASEAN states). This was dubbed an "Asia First" foreign policy strategy.<sup>13</sup>

In ideological terms the Wahid presidency signified an important break with the past because he directly challenged some of the New Order's sacred cows. Wahid, a forthright reformist and religious pluralist, confronted the New Order taboo subject of 'G30S/PKI' (30 September Movement) head-on, apologising for the massacres and human rights violations against alleged communists and their families; calling for G30S/PKI events to be re-examined, and attempting—although unsuccessfully—to revoke the ban on the Indonesian Communist Party.<sup>14</sup> Wahid appointed prominent ethnic Chinese economist, Kwik Kian Gie as Coordinating Minister for the Economy

---

<sup>13</sup> The correct name was 'Asia Coalition', see Rizal Sukma, 'Indonesia's Perceptions of China: The Domestic Bases of Persistent Ambiguity', in Herbert Yee and Ian Storey (eds.), *China Threat: Perceptions, Myths and Reality* (London: Routledge Curzon, 2002). Wahid chose China for his first official visit as President in December 1999 and sought and gained Chinese assurances on Indonesia's unity and territorial integrity. China's commitment to Indonesia's sovereignty, territorial integrity and national unity were made at the July 2000 ASEAN Plus Three meeting, see Anthony Smith, 'Indonesia's Foreign Policy under Abdurrahman Wahid: Radical or status quo State', *Contemporary Southeast Asia*, vol. 22, no. 3 (2000), p. 509.

<sup>14</sup> See 'Terhadap Korban G30S/PKI Gus Dur: Sejak Dulu Minta Maaf', *Kompas*, 15 March 2000, <<http://groups.yahoo.com/group/ambon/message/5823>> [Accessed 1 April 2011]; Adrian Vickers and Katharine McGregor, 'Public Debates About History: Comparative Notes From Indonesia', *History Australia*, vol. 2, no. 2 (2005), p. 44-4. Communist parties are still banned in Indonesia.

and declared Chinese New Year a national holiday.<sup>15</sup> He lifted the ban on the display of Chinese characters and the imports of Chinese publications.<sup>16</sup>

Important cultural and institutional shifts were also taking place within the Indonesian bureaucracy. The foundations of the military's dual socio-political role '*dwifungsi*' were steadily being dismantled during the early *reformasi* period. The system of '*kekaryaan*' in which the military had been institutionalised across the breadth of the Indonesian bureaucracy from 1966, was coming to an end. Within the Foreign Affairs Ministry, an internal reorganisation in 2001 ended the practice of military officers holding senior echelon positions (Inspector-General and Director-General level). Reforms to the legislative and regulatory basis of Indonesia's foreign policy, further empowered civilian oversight over foreign affairs.<sup>17</sup>

It was in these turbulent political years between October 1999 and Wahid's impeachment in July 2001 that the basic paradigmatic approach of Indonesia's policy toward 'the Chinese' shifted. Although Wahid's battle for reform against hardline New Order elements would bring about his downfall, improved relations with China and Indonesia's ethnic Chinese community were perceived as a necessary part of the Wahid administration's democratic political legitimacy based on economic recovery and the rehabilitation of Indonesia's tarnished international image. Although Wahid's 'Asia First' policy has been dismissed in the scholarship as more style over substance,<sup>18</sup> it was during this period that closer relations with China became an overt and legitimate part of Indonesia's *reformasi* foreign policy.

---

<sup>15</sup> The only ethnic Chinese ever appointed as minister under the New Order, wealthy businessman and Suharto crony, Bob Hasan, in Suharto's last cabinet. See Ian Storey, 'Indonesia's China Policy in the New Order and Beyond: Problems and Prospects', *Contemporary Southeast Asia*, vol. 22, no. 1 (April 2000), p. 166.

<sup>16</sup> 'China Mourns Death of Indonesian Former President Wahid', *Xinhua*, 31 December 2009, <<http://id.china-embassy.org/eng/gdxw/t649792.htm>> [Accessed 29 March 2011]. University of Melbourne expert, Tim Lindsey argues that despite the repeal of some laws and positive attitudinal shifts toward the Indonesian Chinese, discriminatory colonial era laws, for example in the civil registration of ethnic Chinese, remain, see Tim Lindsey, 'Reconstituting the Ethnic Chinese in Post-Soeharto Indonesia: Law Racial Discrimination, and Reform', in Tim Lindsey and Helen Pausacker (eds.), *Chinese Indonesians: Remembering, Distorting, Forgetting* (Singapore: ISEAS, 2005), pp. 46-7.

<sup>17</sup> The 2001 restructure of Indonesia's Foreign Ministry (*Kemlu*) (effective in 2002), ended military representation within the Ministry. Between 1999 and 2003 the Indonesian Government issued a number of laws and presidential decrees pertaining to the governance of Indonesia's foreign policy, which augmented civilian departmental authority and reduced military influence over foreign affairs, for example, see *President Republic Indonesia*, 'Undang-Undang Republik Indonesia Nomor 37 Tahun 1999 Tentang Hubungan Luar Negeri', <[www.deptan.go.id/klndaftar\\_phln/UU%201999%20No%2037%20ttg%20Hubungan%20Internasional.pdf](http://www.deptan.go.id/klndaftar_phln/UU%201999%20No%2037%20ttg%20Hubungan%20Internasional.pdf)> [Accessed 17 August 2010].

<sup>18</sup> This argument was made by Sukma who argued that Wahid's attempt to make Asia, especially China, Indonesia's primary partner in order to reduce dependency on the West, i.e. the IMF and World Bank, represents the 'form' rather than 'substance' of foreign policy, see Sukma, 'Indonesia's Perceptions of China', p. 197.

## CONSENSUS AND CONVERGENCE

Indonesia's political liberalisation and increasing economic engagement with China has helped facilitate a growing convergence of interests across a range of policy areas including foreign policy. Of course, there are other factors at play, including post-1978 changes in China's own foreign policy outlook and broader systemic changes conducive to improved relations between China and Southeast Asia. But there is substantial evidence of increasing bilateral consultation and coordination on foreign policy issues, facilitated by a natural convergence of interests borne out of economic exchange.<sup>19</sup> Indeed China's regional foreign policy, which is predicated upon regional stability for economic growth, dovetails nicely with Indonesia's priorities, which are aimed at enhancing its leadership of ASEAN, improving its economic diplomacy, and enhancing "South-South" or developing-state cooperation.<sup>20</sup>

These mutual interests appear to have weakened the 'incipient geopolitical rivalry' that once characterised relations.<sup>21</sup> It has been replaced with greater resignation in Indonesia about China's ascendancy (though not hegemony), and heightened awareness of the benefits in closer coordination on issues of mutual interest in the global arena. In 1999, Indonesia and China issued a Joint Communiqué committing to strengthening cooperation and exchange. Nevertheless, the "watershed" in Indonesia-China relations, as Indonesia's ambassador to China described it, came in 2005, when the Susilo Bambang Yudhoyono (SBY) administration signed a broad 'Strategic Partnership' agreement with Beijing. Incorporating political, defence, security, legal, economic and socio-cultural cooperation, the partnership was given a boost in January 2010 by the ratification of a five year 'plan of action' committing to a "bilateral dialogue mechanism on technical cooperation, cooperation in regional and international affairs and on funding arrangements".<sup>22</sup>

Following Wen Jiabao's visit to Jakarta in April 2011, bilateral consultation between Indonesia's Coordinating Minister for Political, Legal and Security Affairs and China's State Councillor, the premier bilateral dialogue

---

<sup>19</sup> The argument that economic engagement has led to increasing policy alignment between China and regional states was borne out by research conducted by Princeton University, see Aaron L. Friedberg (ed.), *Chinese Economic Growth and Political Influence: Examining PRC Relations with Australia, Indonesia, Malaysia and Singapore* (Princeton: Princeton University Woodrow Wilson School of Public and International Affairs, 2007), p.6.

<sup>20</sup> For a list of Indonesia's foreign policy priorities see *Kementerian Luar Negeri Republik Indonesia*, 'Landasan, Misi, Visi, Polugri', <[www.kemlu.go.id/Pages/Polugri.aspx?IDP=21&l=id](http://www.kemlu.go.id/Pages/Polugri.aspx?IDP=21&l=id)> [Accessed 29 June 2011].

<sup>21</sup> 'Incipient geopolitical rivalry' was a term used by Michael Leifer, see 'Indonesia's Encounters with China and the Dilemmas of Engagement', in Alistair Johnstone and Robert Ross (eds.), *Engaging China: The Management of an Emerging Power* (London and New York: Routledge, 1999), p. 88.

<sup>22</sup> Imron Cotan, 'Indonesia a Success Story in Asia and the Pacific' (Part 1 of 2), *The Jakarta Post*, 30 May 2011, <[www.thejakartapost.com/news/2011/05/30/indonesia-a-success-story-asia-and-pacific-part-1-2.html](http://www.thejakartapost.com/news/2011/05/30/indonesia-a-success-story-asia-and-pacific-part-1-2.html)> [Accessed 29 June 2011].

mechanism, has been strengthened. A new Memorandum of Understanding between Foreign Ministries was also agreed to. In a further sign of ever closer coordination, Indonesia and China have agreed to a range of joint activities, including training of diplomats, policy planning and research, and the establishment of hotlines between officials of foreign ministries at various levels.<sup>23</sup> Although Indonesia has strategic partnership agreements with a number of other states, including Australia, its strategic partnership agreement with China was concluded before that of Australia and the United States, revealing the increasing alignment of interests between Jakarta and Beijing following *reformasi*.

Closer bilateral relations have also served to reaffirm both Indonesia and China's sense of global gravitas. Both are economically significant with the world's first and fourth largest populations respectively. In the past, the shared ideational basis of their external outlooks emanating from the 1955 Bandung Asia-Africa Conference (precursor to the Non-Aligned Movement) lacked substance, but it has now engendered a common sense of civilisational entitlement and historical consequence for two of Asia's great powers. This is "the Asian century", Wen told his Indonesian audience in April 2011, and a "great rejuvenation of the Oriental Civilisation". Wen was clear that Indonesia and China were the driving forces of "this epoch-making change" and drew heavily on China's developing country solidarity, common historical experience and shared Asian consciousness with Indonesia.<sup>24</sup>

China's foreign policy approach to Indonesia, moreover, reflects a strong appreciation of Indonesia's *primus inter pares* status within ASEAN and Indonesia's membership, alone among Southeast Asian states, in the G20 economic grouping. Indonesia has long been the critical veto actor in ASEAN, and its desire for a more high profile international role attracts China's ongoing and overt support. Premier Wen declared during his April visit to Jakarta that Indonesia had made "an outstanding contribution" to ASEAN. With similar sentiment China's State Councillor Dai Bingguo told Indonesia's President that "Indonesia and China are great regional countries", whose long-term relationship "benefits the region and world peace and prosperity".<sup>25</sup> Clearly, Indonesia is important to China in its ASEAN policies and G20 strategy, the latter based on both developing country solidarity and common desire to reform global financial institutions to reflect the new power centres of Asia.

---

<sup>23</sup> See 'China, Indonesia pledge to enhance bilateral strategic partnership', *Xinhua*, 30 April 2011, <<http://china.globaltimes.cn/diplomacy/2011-04/650337.html>> [Accessed 3 August 2011].

<sup>24</sup> See Greta Nabbs-Keller, 'Australia's Indonesia Policy: Lessons from China', *The Interpreter*, 5 May 2011, <[www.lowyinterpreter.org/post/2011/05/05/Australias-Indonesia-policy-Lessons-from-China.aspx](http://www.lowyinterpreter.org/post/2011/05/05/Australias-Indonesia-policy-Lessons-from-China.aspx)> [Accessed 7 September 2011].

<sup>25</sup> Embassy of the People's Republic of China in Indonesia, 'Indonesian President Meets with China's State Councillor', 21 January 2010, <<http://id.china-embassy.org/eng/ztbd/features/t653605.htm>> [Accessed 10 October 2010].

From a domestic political context, Indonesia's democratisation process has engendered a strong degree of policy consensus on China and increasing integration of Indonesia's ethnic Chinese into the mainstream.

As more and more indigenous Indonesians enter the middle classes the issue of economic inequality is evolving from one that carries a stigma for Chinese Indonesians to one that all Indonesian must face.<sup>26</sup>

There are also increasing signs that Indonesia's Chinese are being 're-sinicised', manifest in Indonesia's official promotion of Indonesian Chinese culture, particularly in China. In May 2011, more than 300 Indonesian Chinese participated in an Indonesian cultural event in Fujian province, the ancestral homeland of many of Indonesia's Chinese, in an event aimed at "deepening old familial ties".<sup>27</sup> Moreover, Indonesia's muted reactions to a Wikileaks cable release in which senior Chinese officials "sought to promote secular Islam in Indonesia by encouraging interaction with China's 20 million Muslims", failed to cause a stir in Indonesia. This suggests that there is little political benefit in inciting anti-Chinese sentiment, in contrast to the New Order period.<sup>28</sup>

Ironically, given their different political systems, Indonesia's transition from authoritarian to democratic rule has facilitated a growing convergence of interests between Indonesia and China by emancipating Indonesia from the ideological constructs of the New Order and enabling it to fully take advantage of China's concerted economic and diplomatic investment. Although Indonesia has pursued a liberal normative agenda in its relations with ASEAN, it seems its China policy is motivated more by pragmatic considerations seen in the inclusion of both China and Myanmar in Indonesia's Bali Democracy Forum. At the international level "Indonesia performs poorly on human rights issues ... explained by its fear of harming bilateral relations", according to Indonesian foreign policy scholar, Rizal Sukma. Indonesia is engaged in "democracy projection" rather than "promotion" and its efforts are focussed on the Southeast Asian neighbourhood.<sup>29</sup>

---

<sup>26</sup> Ray Hervandi, 'Reimagining Chinese Indonesians in Democratic Indonesia', *East Asia Forum*, 21 May 2011, <[www.eastasiaforum.org/2011/05/21/reimagining-chinese-indonesians-in-democratic-indonesia/](http://www.eastasiaforum.org/2011/05/21/reimagining-chinese-indonesians-in-democratic-indonesia/)> [Accessed 15 June 2011].

<sup>27</sup> *Kementerian Luar Negeri Republik Indonesia*, 'Promosi Indonesia di Fujian-RRT: Pererat Hubungan Dengan "Saudara Tua"', 20 May 2011, <[www.deplu.go.id/Pages/News.aspx?IDP=4805&l=id](http://www.deplu.go.id/Pages/News.aspx?IDP=4805&l=id)> [Accessed 15 June 2011].

<sup>28</sup> Mustaqim Adamrah, 'Nothing Surprising' for Indonesia from WikiLeaks', *The Jakarta Post*, 17 December 2010, <[www.thejakartapost.com/news/2010/12/17/%E2%80%99nothing-surprising%E2%80%99-indonesia-wikileaks.html](http://www.thejakartapost.com/news/2010/12/17/%E2%80%99nothing-surprising%E2%80%99-indonesia-wikileaks.html)> [Accessed 6 April 2011]; Jimmy Hitipiew, 'How Far WikiLeaks Affected Indonesia-China Relations', *Kompas*, 16 December 2010, <<http://nasional.kompas.com/read/2010/12/16/18511940/>> [Accessed 19 April 2011].

<sup>29</sup> See Rizal Sukma in Brookings Institution and International Forum for Democratic Studies, 'The Foreign Policies of Emerging-Market Democracies: What Role for Human Rights and

Aside from the United States, China is now Indonesia's most important bilateral relationship. Chinese engagement and assistance converges neatly with Indonesia's national policy priorities predicated upon development, prosperity, defence self-reliance and the pursuit of a global diplomatic stature. Aside from the United States, China is now Indonesia's most important bilateral relationship. China offers Indonesia benefits that converge neatly with its national policy priorities predicated on development, prosperity, defence self-reliance, and global diplomatic stature. There is a perception amongst Indonesian military officers for example, that China offers Indonesia 'real benefits with less hassle', in contrast to the United States.<sup>30</sup> Although democratisation has clearly provided bilateral relations with a significant fillip, Indonesia's collective strategy through ASEAN has remained essentially the same since the early 1990s—ensuring China's peaceful integration into the regional order. Southeast Asians remain “fully aware of both the inherent promises and dangers that China present”, declared one of Indonesia's leading foreign policy thinkers.<sup>31</sup> Although democratisation has eroded the domestic political basis for Overholt's “powerful antibodies” argument, uncertainty remains in the strategic dimensions of the relationship.

## **Strategic Implications**

### **CHINA'S RELIANCE ON INDONESIA**

China needs Indonesia. It increasingly seeks to win over Southeast Asia's largest state for China's energy security, access to Indonesia's 242 million strong consumer market, and foreign policy objectives based on harmonious regional relationships and economic prosperity. The Indonesian archipelago is comprised of more than 17,000 islands, straddling some of the world's most strategic waterways, including the Malacca, Sunda and Lombok Straits. The strategic significance of these waterways for China's commerce and energy security has been highlighted by many analysts, since they represent the only three major waterways connecting the Indian Ocean with the South

---

Democracy?', Report of Proceedings, 14-15 April 2011, <[www.brookings.edu/reports/2011/06\\_human\\_rights\\_piccone.aspx](http://www.brookings.edu/reports/2011/06_human_rights_piccone.aspx)> [Accessed 29 June 2011].

<sup>30</sup> There are a range of reasons why Indonesia has turned to China for its defence needs, not least ongoing resentment in Indonesian military (TNI) ranks about previous US policy embargoes. But it is also based on the fact that China remains the only major power truly willing to transfer its military technology and help Indonesia enhance its own defence industry. Confidential views of TNI officers (active and retired), consulted 9-17 July 2010; see also Kelvin Wong and Yang Fang, 'Made in China: Beijing Woos Southeast Asian Defence Market', *RSIS Commentaries*, 18 August 2010, <[www.rsis.edu.sg/publications/Perspective/RSIS0942010.pdf](http://www.rsis.edu.sg/publications/Perspective/RSIS0942010.pdf)> [Accessed 19 January 2011].

<sup>31</sup> Dewi Fortuna Anwar, 'Between ASEAN, China and the United States', *The Jakarta Post*, 30 August 2010, <[www.thejakartapost.com/news/2010/08/30/between-asean-china-and-united-states.html](http://www.thejakartapost.com/news/2010/08/30/between-asean-china-and-united-states.html)> [Accessed 10 October 2010].

China Sea, providing critical access to Middle East oil supplies.<sup>32</sup> “Eighty per cent of China’s oil imports pass through the Malacca Strait” and more than half the world’s annual merchant fleet passes through the straits of Malacca, Sunda and Lombok.<sup>33</sup>

These Sea Lines of Communication running through the Indonesian archipelago are of critical importance not only for China’s energy security, but also for its trade and strategic manoeuvrability. Ongoing access enables China to manoeuvre its naval assets between the Pacific and Indian Oceans, potentially ‘limiting’ access to the southern part of the South China Sea. China’s reassurance to Jakarta on its extant maritime territorial boundaries, including Indonesia’s gas-rich Natuna Islands, its growing engagement with Indonesia’s armed forces, evidenced by plans for coordinated patrols against illegal Chinese fishing vessels and a recent joint special forces exercise, is motivated in part by Beijing’s need to secure access to these sea lanes, i.e., keep Indonesia ‘on-side’.<sup>34</sup> It is also, apart from a confidence building measure, a useful means by which Beijing can test Indonesia’s military capabilities.

As the world’s fourth most populous state, Indonesia represents a growing consumer market for Chinese goods and is an increasingly vital source of natural commodities to China—namely coal, palm oil and liquefied natural gas. To put the potential of Indonesia’s economy in perspective it is currently “expanding at the third fastest rate in Asia”, and if projections are correct, is set to exceed Turkey and the Netherlands in GDP terms by 2011 becoming the world’s fourth largest economy by 2040.<sup>35</sup> China is Indonesia’s second largest trading partner, while ASEAN ranked as China’s

---

<sup>32</sup> For example, see John Mearsheimer, ‘The Gathering Storm: China’s Challenge to U.S. Power in Asia’, Fourth Annual Michael Hintze Lecture in International Security, 4 August 2010, <<http://mearsheimer.uchicago.edu/pdfs/T0008.pdf>> [Accessed 10 October 2010], p. 11; Rory Medcalf and Raoul Heinrichs, *Crisis and Confidence: Major Powers and Maritime Security in Indo-Pacific Asia*, Sydney: Lowy Institute for International Policy, 2011).

<sup>33</sup> See Abraham Denmark, ‘Crafting a Strategic Vision: A New Era of U.S.-Indonesia Relations’, *Center for a New American Century*, June 2010, <[www.cnas.org/files/documents/publications/CNAS\\_Crafting%20a%20Strategic%20Vision\\_Denmark.pdf](http://www.cnas.org/files/documents/publications/CNAS_Crafting%20a%20Strategic%20Vision_Denmark.pdf)> [Accessed 2 July 2011], pp. 13, 9 respectively.

<sup>34</sup> Confidential discussions with Indonesian Foreign Ministry and TNI officials suggest China has done much to quietly reassure Indonesia on its extant territorial borders. Views of TNI officers (active and retired) and Foreign Ministry officials, consulted between 9-17 July and 30 November 2010. In the 1990s, however, China’s ambiguous approach to Indonesia’s Natuna Islands, led to expedited development and a large 1996 Indonesian joint military exercise. China has given Jakarta assurances over its sovereignty and its adherence to 1982 UN Convention on the Law of the Sea, but it has, nevertheless, produced baseline maps seeming to overlap Indonesia’s EEZ. See Douglas Johnson, ‘Drawn into the Fray’, p. 153.

<sup>35</sup> Cyrillus Harinowo Hadiwerdoyo, ‘Indonesia: Towards a One Trillion Dollar Economy’, *The Jakarta Post*, 10 May 2011, <[www.thejakartapost.com/news/2011/05/09/indonesia-towards-a-one-trillion-dollar-economy.html](http://www.thejakartapost.com/news/2011/05/09/indonesia-towards-a-one-trillion-dollar-economy.html)> [Accessed 11 July 2011]; William Pesek, ‘Chindonesia to be new money phrase’, *Jakarta Globe*, 15 July 2009, <[www.thejakartaglobe.com/analysis/chindonesia-to-be-new-money-phrase/318273](http://www.thejakartaglobe.com/analysis/chindonesia-to-be-new-money-phrase/318273)> [Accessed 11 July 2011].

fourth largest.<sup>36</sup> Trade volume has increased by an average of 25 percent since 2001, reaching US\$42.7 billion in 2010 and targeted at US\$80 billion by 2014.<sup>37</sup> In 2010 the ASEAN-China Free Trade Area (ACFTA) came into effect, creating the world's largest free trade area and providing significant potential for increasing trade and investment exchange between China and Indonesia.<sup>38</sup> The ACFTA has attracted criticism in Indonesia over the trade deficit with China and anxiety about China's growing influence over Indonesia's economy. But there is, as yet, little evidence that China has used its economic influence to exert political leverage over Jakarta.<sup>39</sup>

Bilateral economic cooperation between Indonesia and China is focused at increasing cooperation in investment, infrastructure, agricultural, forestry and energy sectors, including the development of small and medium enterprises. China recently announced plans to establish a China-Indonesia economic and trade cooperation zone. In addition, it is eager for Chinese companies to play a part in Indonesia's establishment of six economic corridors and special economic zones.<sup>40</sup> The significance of Chinese infrastructure investment in Indonesia—particularly roads, ports, rails, telecommunications and transport—was summed up in *The Jakarta Post* :

China has ... become a major financier to mega projects in Indonesia, the role played by the World Bank, Asian Development Bank, Europe, Japan and the United States in the past.<sup>41</sup>

Indonesia is a critical cog in China's economic integration with Southeast Asia states and larger transport, trade, tourism and people-to-people connectivity with Southeast Asia. China's provision of soft loans, favourable credit arrangements and massive infrastructure investment in Indonesia ensures that China benefits from Indonesia's huge development potential

---

<sup>36</sup> Wen Jiabao, 'Remarks at China-Indonesia Strategic Business Dialogue', *Beijing Review.com.cn*, 20 June 2011, <[www.bjreview.com.cn/document/txt/2011-06/20/content\\_369848.htm](http://www.bjreview.com.cn/document/txt/2011-06/20/content_369848.htm)> [Accessed 11 July 2011].

<sup>37</sup> See Cotan, 'Indonesia a Success Story in Asia and the Pacific'.

<sup>38</sup> The ACFTA has not been without its Indonesian detractors, worried about Chinese competitiveness and Indonesia's US\$1.2 billion trade deficit with China. See Linda Yulisman, 'No Talks with RI on ASEAN Free Trade Pact: China', *The Jakarta Post*, 13 April 2011, <[www.thejakartapost.com/news/2011/04/13/no-talks-with-ri-asean-free-trade-pact-china.html](http://www.thejakartapost.com/news/2011/04/13/no-talks-with-ri-asean-free-trade-pact-china.html)> [Accessed 13 April 2011].

<sup>39</sup> China has attempted to placate Indonesian concerns over the trade deficit by providing export credits to Indonesia and \$9 billion in soft and commercial loans for infrastructure projects, see Rangga D.Fadillah, 'China affirms plans to relocate factories to Indonesia', *The Jakarta Post*, 13 August 2011, <[www.thejakartapost.com/news/2011/08/13/china-%E2%80%998affirms%E2%80%99-plan-relocate-factories-indonesia.html](http://www.thejakartapost.com/news/2011/08/13/china-%E2%80%998affirms%E2%80%99-plan-relocate-factories-indonesia.html)> [Accessed 6 September 2011]. For an explication of the economic dimensions of Indonesia's ambivalence about China see Laksmana, 'Dimensions of Ambivalence in Indonesia-China Relations', pp. 27-28;

<sup>40</sup> Wen Jiabao, 'Remarks at China-Indonesia Strategic Business Dialogue'.

<sup>41</sup> '60 years of Indonesia-China Relations', *The Jakarta Post*, 13 April 2010, <[www.thejakartapost.com/news/2010/04/13/60-years-indonesiachina-relations.html](http://www.thejakartapost.com/news/2010/04/13/60-years-indonesiachina-relations.html)> [Accessed 10 October 2010]. The Suramadu Bridge and Asahan hydro plant were described by Wen Jiabao as landmark projects in Southeast Asia, see Wen Jiabao, 'Remarks at China-Indonesia Strategic Business Dialogue'.

and massive consumer market, with flow on benefits for trust and regional harmony.<sup>42</sup>

This growing convergence of economic interests between Indonesia and China is best reflected in the new catchphrase 'Chindonesia', which was a term coined around 2009 to denote the huge economic potential of China, India and Indonesia as Asia's next "growth triangle".<sup>43</sup> At the heart of the 'Chindonesia' concept is the complementarity between the economies of Indonesia with India and China. Indonesia has emerged as vital supplier of China's energy and food requirements in what business analysts characterise as a "symbiotic relationship to China's growth".<sup>44</sup> As the world's second largest coal exporter and largest exporter of palm oil, Indonesia has become a vital supplier of commodities for China's power and food industry—Indonesia is the "rocket fuel" for India and China's growth, as one Bloomberg analyst put it.<sup>45</sup>

### **INDONESIA'S SIGNIFICANCE**

Political reform has engendered a policy consensus on China and brought ethnic Chinese further into the mainstream. But China understands it still has a 'trust issue' in Jakarta. Wen Jiabao was explicit about this during his April 2011 visit with reassurances about China's constructive regional role. "I am being truthful ... concerning China's domestic and foreign policies", Wen prefaced his speech. He told Indonesia "China has kept its word" on its commitment to a tranquil and prosperous neighbourhood. Although expressing a preference for "bilateral channels" on regional territorial disputes, the Premier told Indonesia it would "adhere to the principle of good-neighbourliness and equal consultation".<sup>46</sup>

At the heart of lingering unease in Jakarta is China's opaque and assertive position on the South China Sea. Although Indonesia is not a claimant in the dispute it understands that competing South China Sea territorial claims remain the single most dangerous flashpoint in Southeast Asia-China relations.<sup>47</sup> Indonesia has therefore been a key mediator and honest broker

---

<sup>42</sup> China has provided Indonesia with \$2.8bn in preferential export buyer's credit, with Indonesia being the biggest beneficiary of these types of loans from China. More than 1000 Chinese companies are currently operating in Indonesia, which have invested over \$6 billion. See *Ibid.*

<sup>43</sup> The term was first coined by Nicholas Cashmore, head of Indonesia research as CSLA Asia Pacific Markets, see Alex Dunnin, 'Arise Chindonesia', *Financial Standard.Online*, 21 October 2009, <[www.financialstandard.com.au/news/view/27096/](http://www.financialstandard.com.au/news/view/27096/)> [Accessed 6 July 2011].

<sup>44</sup> Arijit Ghosh, 'Indonesia Vying to Enter BRIC, Has Star Role in "Chindonesia"', *Bloomberg*, 10 July 2009, <[www.bloomberg.com/apps/news?pid=newsarchive&sid=aQN6xO\\_LfM4Y](http://www.bloomberg.com/apps/news?pid=newsarchive&sid=aQN6xO_LfM4Y)> [Accessed 6 July 2011].

<sup>45</sup> China, Indonesia and India, generate growth equal to 44 percent of the US economy; Indonesia's economy is expanding at the third fastest rate in Asia, see *Ibid.*

<sup>46</sup> See Nabbs-Keller, 'Australia's Indonesia Policy'.

<sup>47</sup> China's infamous nine-dotted line map appears to include parts of Indonesia's EEZ around the Natuna Islands. See Djalit Singh, 'South China Sea developments at the ASEAN Regional Forum', *East Asia Forum*, 3 August 2011.

for more than 20 years having chaired the informal *Workshops on Managing Potential Conflicts in the South China Sea* since 1990. Indonesia collectively, with ASEAN, have had some success at July's ASEAN Regional Forum meeting in shifting Beijing's preference for bilateral negotiations on South China Sea claims, with an agreement from China to progress 'Guidelines for the Implementation of the Declaration of Conduct of Parties in the South China Sea'. And China will continue to come under considerable pressure from the region, led by Indonesia, to advance the Guidelines as a basis for a 'binding' code of conduct. Although Indonesia's ability to exercise political leverage over China in confidential diplomatic exchanges is difficult to ascertain, a number of public statements made by senior Indonesian officials—including President SBY—were clearly designed to pressure Beijing.<sup>48</sup>

China's provocation of armed conflict over South China Sea claims would be seriously detrimental to China's regional relations and economic stability. In fact, it is highly unlikely that Beijing would risk its strategically important relationship with Indonesia, inciting anti-Chinese sentiment and undermining decades spent building trust and integration with ASEAN. As one Chinese analyst explained, "China needs Indonesia's ongoing neutrality on the South China Sea", and will treat its "relations with Jakarta with care".<sup>49</sup> Indonesia understands there are expectations of its regional leadership and will push China toward a binding code of conduct. Beijing, in turn, would not want to see Indonesia pushed further into the embrace of the United States, with Washington focused once again on Southeast Asia and determined to make up lost ground to China.

### **STRONG NEIGHBOUR, PIVOTAL STATE**

There are many scholars and strategic analysts in Australia writing about China's rise. Fewer address Indonesia's influence in the emerging Indo-Pacific order and its significance to Australia as a counterweight to Chinese assertiveness.<sup>50</sup> Indonesia's traditional mediation role and moderating

---

<sup>48</sup> See Embassy of the Republic of Indonesia, 'President asks ASEAN foreign ministers to hasten South China Sea talks', Singapore, 20 July 2011, <[www.kbrisingapura.com/news\\_2007\\_2011\\_5.php?lang=eng](http://www.kbrisingapura.com/news_2007_2011_5.php?lang=eng)> [Accessed 6 September 2011]; and Michael Tene's "its time" comments in Ismira Lutfia, 'Indonesia urges calm as South China Sea tensions mount', *The Jakarta Globe*, 18 June 2011, <[www.thejakartaglobe.com/home/indonesia-urges-calm-as-south-china-sea-tensions-mount/447692](http://www.thejakartaglobe.com/home/indonesia-urges-calm-as-south-china-sea-tensions-mount/447692)> [Accessed 6 September 2011].

<sup>49</sup> Daojiong Zha, 'China and the May 1998 Riots of Indonesia: Exploring the Issues', *The Pacific Review*, vol. 13, no. 4 (2000), p. 572.

<sup>50</sup> Rod Lyon's ASPI report 'Forks in the River' is recent notable exception, which argues that Australia should pursue a much closer strategic partnership with Indonesia in the context of rapid geopolitical change and relative decline in US power, see Rod Lyons, *Forks in the River: Australia's Strategic Options in a Transformational Asia* (Canberra: Australian Strategic Policy Institute, 2011). Hugh White touched on it towards the conclusion on his *Quarterly Essay*, where he discussed the importance of Indonesia in this power shift and Australia's need to consider Indonesia, a growing middle power of increasing strategic weight, more seriously and with less ambiguity than we have done so previously, see Hugh White, 'Power Shift: Australia's

influence on regional tensions is enhanced by both closer relations with China and systemic processes underpinning Indonesia's leadership of ASEAN (and by extension, regional governance mechanisms). Although Indonesia has buried many ghosts of the past and its changed political circumstances have eased old enmities with China, Overholt's powerful antibodies argument continues in the ideational legacies of Indonesia's foreign policy and its enduring politico-security rationale for ASEAN.

Indonesia's ability to augment regional stability and mitigate against the likelihood of regional armed conflict between China and ASEAN states can be understood through three interlinked and mutually reinforcing factors surrounding closer Indonesia-China relations. First, Indonesia's economic success and concomitant rise in diplomatic stature over the last decade, means that Indonesia has become a pivotal state in the Indo-Pacific region—Australia's region. This fact, underpinned by Indonesia's avowedly independent foreign policy doctrine and aversion to hegemonic power dominance in Southeast Asia, posits Indonesia as an important counter-balance to China. Second, due to a combination of Indonesia's strategic geographic location and natural resource wealth, China is becoming increasingly reliant on Indonesia both for its energy security and resource requirements, and in Jakarta's support for its regional foreign policy agenda. Put simply, China needs Indonesia's trust and cooperation if it is to achieve further economic and political integration with ASEAN states. Third, the confluence of these first two factors augments Indonesia's significance to Beijing. Indonesia has proved a wily and elusive subject of Chinese advances in the past. It is not beyond "twisting the dragon's tail", as one analyst characterised it and Jakarta's ability to moderate China's "rough diplomacy" has been enhanced by closer bilateral relations since 1998.<sup>51</sup>

Now referred to as the additional 'I' in the BRIC (Brazil, Russia, India and China) economic grouping, lauded as both an 'emerging market economy' and 'emerging market democracy', Indonesia is changing from the poor, unstable, authoritarian state next door into a stable, prosperous and increasingly influential neighbour to Australia. This is an unprecedented development for Australia, which has long enjoyed a developmental and defence capability edge over Indonesia. But Indonesia is no longer considered a strategic threat to Australia and few, if any, in Canberra would

---

Future Between Washington and Beijing', *Quarterly Essay*, no. 39 (2010), pp. 64-5; see also Michael Wesley, *There Goes the Neighbourhood: Australia and the Rise of Asia* (Sydney: New South Books, 2011), pp. 51-4, 171-4.

<sup>51</sup> "Twisting the dragon's tail" was an expression used by Geoffrey Gunn, *New World Hegemony in the Malay World*. "Rough diplomacy" is a term used by Rizal Sukma, to describe Chinese assertiveness on South China Sea issues in 2010, see Mustaqim Adamrah, 'Asian Giant yet to Convince Neighbours of its Motives', *The Jakarta Post*, 1 October 2010, <[www.thejakartapost.com/news/2010/10/01/asian-giant-yet-convince-neighbors-its-motives.html](http://www.thejakartapost.com/news/2010/10/01/asian-giant-yet-convince-neighbors-its-motives.html)> [Accessed 11 November 2010].

view Indonesia as a conventional military threat; a shift from Australia's earlier strategic thinking.<sup>52</sup> As Australia's 2009 Defence White Paper revealed, Australia's greatest strategic threat is the uncertainty posed by China's military build-up and territorial ambitions in the South and East China Seas. This is a view shared by Indonesia, albeit influenced by its own nuances and strategic culture.

Indonesia is now a pivotal state in the Indo-Pacific order and a key arbiter of that order. Indonesia's support for US inclusion in the expanded East Asia Summit was crucial. Jakarta's regional strategic approach is based on a doctrine of 'balance' and 'dynamic equilibrium'—the 'Natalegawa Doctrine'—which seeks to avoid regional dominance and undue interference by major powers.<sup>53</sup> The difference is now that Indonesia is more powerful and thereby more influential in the region. "We expect Indonesia to play a major role", declared former Japanese Foreign Minister Takeaki Matsumoto recently in the context of the South China Sea.<sup>54</sup>

The shift in global economic and political power to the Indo-Pacific has enhanced ASEAN's authority and relevance, and by extension Indonesia's. Management of the regional economic and political order is firmly anchored in ASEAN as reflected in a raft of fora, including the ASEAN Plus mechanisms, ASEAN Regional Forum, the ASEAN Defence Ministers Meeting and now the expanded East Asia Summit. ASEAN remains the cornerstone of Indonesia's foreign policy despite some frustrations, and there is a strong sense of ideational continuity in Indonesia's strategic policies, harking back to the early Cold War environment when Indonesia's 'independent and active' foreign policy tenets were first formulated. In many ways the Suharto-order rationale for ASEAN as strategic buffer has gained greater currency in recent years. But not against the communist Chinese menace, but against a powerful Chinese state increasingly seeking to assert its interests and an extant hegemon in the United States, increasingly unsettled by such developments.

## **Conclusion**

Australia and Indonesia's strategic policy approaches to China are essentially convergent, although you will not see Indonesia 'taking sides' in Sino-US rivalries or framing its discourse in terms of alliance relationships or expanded US-basing facilities, evident in heated debates within Australia

---

<sup>52</sup> For shift in strategic threat perceptions from Indonesia to China in the context of the 2009 White Paper see Graeme Dobell, 'White Paper: China Nightmare, Indonesian Dream', *Lowy Interpreter*, 4 May 2009, <[www.lowyinterpreter.org/post/2009/05/04/Defence-White-Paper-China-nightmare-Indonesian-dream.aspx](http://www.lowyinterpreter.org/post/2009/05/04/Defence-White-Paper-China-nightmare-Indonesian-dream.aspx)> [Accessed 1 July 2011].

<sup>53</sup> Ahmad Rizky Mardhatillah Umar, 'A Critical Reading of the Natalegawa Doctrine', *The Jakarta Post*, 7 January 2011, <[www.thejakartapost.com/news/2011/01/07/a-critical-reading-%E2%80%98natalegawa-doctrine%E2%80%99.html](http://www.thejakartapost.com/news/2011/01/07/a-critical-reading-%E2%80%98natalegawa-doctrine%E2%80%99.html)> [Accessed 12 March 2011].

<sup>54</sup> 'Indonesia Leader Talks Ties, South China Sea Tensions', *The Japan Times Online*, 18 June 2011, <<http://search.japantimes.co.jp/cgi-bin/nn20110618a2.html>> [Accessed 2 July 2011].

over how it should respond to China's rise. Indonesia does not fully trust China and remains concerned about Chinese assertiveness in the South China Sea, but will maintain a measured rhetoric over China publicly, since it stands to gain immense benefits from the bilateral relationship in economic, military and diplomatic terms. Indonesia will continue to hedge against China based on its independent foreign policy doctrine and concerns about China's longer term politico-security intentions.

Such contradictory elements of Indonesia's relationship with China are not especially problematic for Australia. In fact, Australia faces many of the same challenges as Indonesia does with respect to dealing with a principal trading partner who it does not fully trust in strategic terms. In broad terms, Indonesia's post-1998 rapprochement with China has being hugely beneficial to Sino-Southeast Asian relations cementing Indonesia and Southeast Asia's economic integration with China, and engendering prosperity and regional harmony in contrast to the antagonisms of the past. Similarly, growing defence cooperation between Indonesia and China should not be seen as a threatening development to Australia, as it will have positive spin-offs for Indonesia's military capabilities and professionalism—key objectives of Australia's defence engagement with Indonesia.

The fact that Indonesia continues to hedge against China is positive for Australia. As Jakarta seeks a meaningful *modus vivendi* between ASEAN states and China on the South China Sea, Australia's utility to Jakarta is further augmented. Australia's contribution to East Asian regionalism has long been appreciated by Indonesia. Indeed, it has been an area of collaboration largely quarantined from the past vagaries of the bilateral relationship. Indonesia understands Australia is an important regional middle power, who also constitutes a useful balancing actor to Chinese assertiveness along with states such as South Korea and India. There are opportunities for Australia in the overlap of its regional strategic objectives with Indonesia and it should seriously invest in processes which underpin Indonesia's regional leadership role and enhance Jakarta's leverage over Beijing. These could include closer first and second track coordination on regional economic and security issues; a renewed focus on enhancing Indonesia's defence and diplomatic capabilities; and substantive support for the Jakarta-based ASEAN Secretariat, for example.

In conclusion, a stable, prosperous and externally-focused Indonesia constitutes an important counterweight to China based on its strategic consequence to Beijing and growing significance for China's regional foreign policy agenda. This article has argued that closer relations between Asia's giants, driven by Indonesia's democratisation experience and economic convergence, should be seen as a positive development for broader regional stability. Indonesia and China are drawing closer together, but Overholt's antibodies toward Chinese assertiveness will still circulate within the Indonesian organ for some time to come. This is good news for Australia.

*Greta Nabbs-Keller is a PhD candidate at Griffith Asia Institute researching the impact of democratisation on Indonesia's foreign policy. Her broader research interests include Indonesian civil-military relations and Australian regional foreign policy. Before joining Griffith University, Greta worked for the Department of Defence in Canberra and Jakarta. [g.nabbs-keller@griffith.edu.au](mailto:g.nabbs-keller@griffith.edu.au)*



## Easier Said Than Done: The Afghan Peace and Reintegration Program

Paula Hanasz

News reporting of Afghan and US negotiations with the Taliban is increasing, as are the confirmed details of such meetings. There is no denying it—peace talks are happening, and will continue to happen as the coalition presence in Afghanistan looks to leave as quickly as possible.<sup>1</sup>

As the international military intervention in Afghanistan winds down, attention is increasingly focused on how to disengage militarily while ensuring the country does not disintegrate into further conflict and insecurity. For the International Security Assistance Force (ISAF) troop-contributing nations such as Australia, reconciliation and reintegration (R2) comes up as a tidy solution but its implementation, though not impossible, is easier said than done.

Conflict only ever ends either in the defeat of one side, or some form of reconciliation. In this sense, R2 is a natural part of armed conflict because indefinite fighting is simply unsustainable.<sup>2</sup> Sooner or later a point is reached at which the conflicted parties feel they stand to gain more from negotiating with each other than from fighting. Judging when such a point has come is an imprecise science that is as much about emotional nous as it is about poker-faced cool-headedness. It is a highly precarious balance wherein each party must think it is about to win rather than be defeated. For a myriad of complex reasons the Government of the Islamic Republic of Afghanistan (GIROA) and the ISAF on the whole strongly believe that the time for a concerted effort at reintegration and reconciliation is upon us.<sup>3</sup> After all, in a decade of fighting there has been no decisive, strategic defeat on either side.

There is a pervading sense amongst the leadership of the North Atlantic Treaty Organisation's (NATO) ISAF in Afghanistan that the decisive factor in

---

<sup>1</sup> J. Rogin, 'Gates: Taliban talks could begin this winter', *The Cable*, Foreign Policy, 4 June 2011, < <http://thecable.foreignpolicy.com/blog/11505?page=5> > [Accessed 6 July 2011].

<sup>2</sup> Lieutenant Colonel Mark E. Johnson, 'Reintegration and Reconciliation in Afghanistan; Time to End the Conflict', *Military Review*, November-December 2010, p. 97.

<sup>3</sup> Lieutenant Colonel Nicholas Floyd, "*Grasping the Nettle: Why Reintegration is Central to Operational Design in Southern Afghanistan*", Asia Pacific Civil-Military Centre of Excellence, Civil-Military Occasional Paper, 1/2011, p. 8

a potential peace for the country lies in the success of R2. However, success is vaguely defined,<sup>4</sup> and there is little discussion on how R2 should fit into international troop withdrawal strategies. The newly created Afghanistan Peace and Reintegration Program (APRP) is the most recent effort at R2 in the country, but it is far from flawless. Indeed, the western media and non-government organisation community seemingly revel in dooming it to failure before it has begun. But although most of the criticisms levelled at the APRP are justified, the process has a lot going for it that is too often overlooked. For this reason, the aim of this commentary is to elucidate on some of these strengths and argue that failure, though likely, is not inevitable.

## Reconciliation and Reintegration in the Afghan Context

Reconciliation and reintegration are best conceptualised as a new, multifaceted, holistic and long-term phase of stability operations in Afghanistan rather than as a cohesive, narrow program or institution, though they are that too.<sup>5</sup> Moreover, they are complementary concepts and should not be discussed exclusive of each other. Unfortunately, there seems to be a tendency by western media to focus solely on the more titillating issue of 'talking to the Taliban'.

'Talking to the Taliban' is an apt headline for reconciliation only insofar as it pertains to high-level peace talks with the senior leadership of the Taliban and that of other prominent insurgent groups.<sup>6</sup> A seemingly common misconception is that political talks will involve only the leadership of the Taliban. This is not the case. Negotiations are also beginning with the other major insurgent groups, namely the Haqqani Network, Hezb-e-Islami Gulbuddin (HiG), and to a lesser extent the Islamic Movement of Uzbekistan (IMU).<sup>7</sup> Reconciliation with these groups aims at a negotiated termination of conflict and potential power-sharing agreements with high level commanders. The reconciliation process is wholly Afghan-led (though with financial and logistical support from the international community). While careful international involvement is necessary for accountability and guidance, the process will not succeed if it is perceived as a western imposition.<sup>8</sup>

In contrast to reconciliation, 'reintegration' is aimed at low to mid level fighters. It is not necessarily disarmament or demobilisation, but rather a

---

<sup>4</sup> Matt Waldman, 'Golden Surrender? The Risks, Challenges, and Implications of Reintegration in Afghanistan', Afghanistan Analysts Network, Discussion Paper, 22 April 2010, pp. 2-3.

<sup>5</sup> For a discussion on the philosophical underpinnings of each term see Tazreena Sajjad, *Peace at all Costs? Reintegration and Reconciliation in Afghanistan*, Afghanistan Research and Evaluation Unit, October 2010, <<http://areu.org.af/Uploads/EditionPdfs/1035E-Peace%20at%20all%20Costs%20IP%202010%20web.pdf>> [Accessed 30 June 2011], pp. 3-5.

<sup>6</sup> Johnson, 'Reintegration and Reconciliation in Afghanistan', p. 97.

<sup>7</sup> Ibid., pp. 100-1.

<sup>8</sup> Sajjad, *Peace at all Costs?*, p. ix.

process by which ex-combatants gain civilian status and sustainable employment.<sup>9</sup> It is a series of initiatives that offer former fighters opportunities for a peaceful contribution in their communities and enforced by community-based incentive structures<sup>10</sup> (i.e., onus is on tribal elders, for example, to ensure young men under their care do not return to insurgent groups).

The exact details of such initiatives vary greatly according to security, infrastructure, and support levels in various districts but can include agricultural development, local defence initiatives, vocational training, etc.<sup>11</sup> They are sketched out in the lengthy Afghanistan Peace and Reintegration Program (APRP). But it must be noted that reintegration is also an organic, informal dynamic.<sup>12</sup> Fighters can choose to withdraw from the insurgency because of incentives other than those provided under the auspices of the APRP. This makes the success of R2 difficult to quantify and attribute.

## **The Afghanistan Peace and Reintegration Program; Theory...**

Similar processes have been attempted in Afghanistan in the recent past and all failed to bring lasting stability to the country. These attempts<sup>13</sup> at reintegration include *Proceay-i Tahkeem-i Solha* (also known as Strengthening Peace Programme or PTS), and the floundering Afghanistan New Beginnings Program (ANBP). Disarmament has been attempted through the Disarmament of Illegally Armed Groups (DIAG) process, and the now defunct Disarmament, Demobilisation and Reintegration (DDR).<sup>14</sup> The failure of these programs is perhaps the most commonly raised argument against the APRP. But as uncertain as its success is, the APRP will not fail *because* its predecessors did. The APRP must be judged on its own merits and in the context of Afghanistan's current ripeness for R2.

So how then does the latest project differ? The APRP was launched in mid-2010<sup>15</sup> following a 1600-person consultative peace *jirga*<sup>16</sup> with the intention

---

<sup>9</sup> Ibid., p. 3.

<sup>10</sup> Waldman, 'Golden Surrender?', p. 2.

<sup>11</sup> See Islamic Republic of Afghanistan, National Security Council, *Afghanistan Peace and Reintegration Program (APRP)*, Programme Document, July 2010.

<sup>12</sup> Lieutenant Colonel Nicholas Floyd, "*Grasping the Nettle: Why Reintegration is Central to Operational Design in Southern Afghanistan*", Asia Pacific Civil-Military Centre of Excellence, Civil-Military Occasional Paper, 1/2011, pp. 9-10

<sup>13</sup> A good introduction to the weaknesses of these programs can be found in Kate Clark, 'New Bureaucracies to Welcome "Upset brothers"', Afghanistan Analysts Network, 14 May 2010, <<http://aan-afghanistan.com/index.asp?id=751>> [Accessed 25 June 2011].

<sup>14</sup> For a detailed history of the development of these programs see: Sajjad, *Peace at all Costs?*, pp. 5-9.

<sup>15</sup> For a detailed chronology of the development of the APRP see: Government of the United States of America, 'Report on Progress Toward Security and Stability in Afghanistan', November 2010 <[http://www.defense.gov/pubs/November\\_1230\\_Report\\_FINAL.pdf](http://www.defense.gov/pubs/November_1230_Report_FINAL.pdf)> [Accessed 30 June 2011], pp. 66-7.

of having a much broader scope than previous programs; it is not merely a demobilisation or a stand-alone reintegration plan. The APRP is implemented by the High Peace Council, a wholly-Afghan body comprised of state and non-state actors. The High Peace Council is based on the concurrently implemented pillars of reintegration (low level insurgents) and reconciliation (high level insurgents), though the latter is not detailed in the APRP policy document due in part to the sensitivity of the issue. It is holistic in its approach to stability, by simultaneously building on the pillars of governance, security, and social development, and in phasing reintegration through social outreach, demobilisation, and consolidation, beginning in a handful of key districts that are deemed to have the necessary conditions.<sup>17</sup>

### **...and Practice**

These differences to previous programs, of course, do not make the APRP infallible. There are many challenges to its potential success, such as corruption, lack of community buy-in, the hydra-effect of new fighters and commanders immediately replacing those who have reintegrated, and promised outcomes not being delivered.<sup>18</sup> Each of these alone has the capability to severely undermine the entire enterprise.

When evaluating the success or failure of the APRP it is important to keep in mind that its aims are relatively modest and that despite high expectations, it cannot solve all of Afghanistan's many problems singlehandedly. For a start, the APRP process does not directly affect those malign actors who are not involved in insurgent activities. This means that although a certain level of stability may be reached through negotiations of high level insurgent commanders and the reintegration of foot-soldiers into peaceful and productive lives in their communities, there will nonetheless remain a number of disruptive elements in Afghan society. These elements may include narcotics traffickers, crime bosses, corrupt officials, and those who perpetuate tribal vendettas. GIRoA and the international community must accept that a certain degree of unrest is inevitable. The question is, what that degree should be.

It must also be understood that GIRoA itself is to a certain extent a disruptive element, largely because of the pervasive corruption at every level of

---

<sup>16</sup> Traditional Afghan council, convened either regularly or on an ad hoc basis to resolve by consensus issues pertaining to the whole relevant community.

<sup>17</sup> Islamic Republic of Afghanistan, *Afghanistan Peace and Reintegration Program (APRP)*, Executive Summary, pp. 1-3.

<sup>18</sup> There are, understandably, many other objections, some of which are listed here: Tim Foxley, 'APRP: The Afghan Plan for Peace and Reintegration—All Theory and No Reality?', Stockholm International Peace Research Institute, 24 May 2010, <<http://www.sipri.org/blogs/Afghanistan/aprp-the-afghan-plan-for-peace-and-reintegration-2013-all-theory-and-no-reality>> [Accessed 25 June 2011]. There is also a longer exploration of some of the challenges for reintegration in Waldman, 'Golden Surrender?'

government. When all that Afghans see of the government when they interface with it is corrupt, convoluted, and unjust, it does not make for a particularly strong case that GIRoA can deliver the conditions for the sort of society that most Afghans want to live in. For this reason, it is unlikely that economic incentives alone will satisfy the majority of insurgents whose grievances lie with the unsatisfactory and often unsavoury way in which the country is currently run.

Moreover, insurgent factions have the distinct advantage of knowing that Western forces will imminently withdraw from Afghanistan, irrespective of the progress of R2. The Taliban has set as a precondition for reconciliation the complete removal of foreign troops,<sup>19</sup> but this could be seen as a ploy. It is possible that after the coalition's departure, anti-GIRoA aggression will resume with renewed intensity and the reconciliation process will collapse entirely. It's tempting to take this cynical view, but it must be remembered that insurgent groups are largely disunified, and do not enjoy broad popular support. It is possible that for many insurgents, their *raison d'être* will disappear along with the international forces. Likewise, only time will tell the degree to which insurgents are war-weary and demoralised. It is therefore not a foregone conclusion that the R2 process will fail as soon as, and because, ISAF troops withdraw from Afghanistan.

Nonetheless, there are two main reasons why the APRP has a fighting chance to succeed. The first is the truly impressive degree of political will, on both the GIRoA and the ISAF side. The second is the comprehensive but flexible, community-wide approach that factors in the myriad of other development and security programs in target areas that may be influencing conditions for R2.

## **The Challenge**

The trick for policy makers is to ensure that this political will is capitalised on before it dissipates, and that the APRP's reach is truly as wide and flexible as it purports to be.

There is no question that right now that R2 is a high priority for most Afghan and international practitioners. R2 was backed by thousands of tribal and community leaders at the Consultative Peace Jirga,<sup>20</sup> and GIRoA has created a seventy-member High Peace Council for this purpose. It is supported by ISAF's ever-expanding Force Reintegration Cell (F-RIC), a branch responsible for strategy, advocacy and coordination on all things R2-

---

<sup>19</sup> Gareth Porter, 'US Hardline on Taliban Peace Talks', Right Web, Institute for Policy Studies, 4 October 2010, <[http://www.rightweb.irc-online.org/articles/display/us\\_hardline\\_on\\_taliban\\_peace\\_talks](http://www.rightweb.irc-online.org/articles/display/us_hardline_on_taliban_peace_talks)> [Accessed 25 June 2011].

<sup>20</sup> Arguably the outcome of the *jirga* was a foregone conclusion (i.e., that the APRP would be established) but this in a way also provides more impetus for the participants to get behind something that seems inevitable.

related.<sup>21</sup> ISAF troops on the ground are also being educated about the APRP and how to spot and engage Afghans who may wish to reintegrate.<sup>22</sup>

Moreover, there is too much at stake for the parties involved to let the project fail. The international community has committed US\$772 million over five years to the Peace and Reintegration Trust Fund.<sup>23</sup> For many troop contributing nations, military disengagement from Afghanistan rests on a semblance of stability being achieved in the country, and big hopes for such stability hang on the success of R2. In short, there are too many stakeholders, too invested in this project not to make it work.

But it is precisely this intensity of involvement from so many and so motley directions that also threatens to undermine the success of APRP. Each stakeholder has their own agenda. Afghan powerbrokers are tangled in a complex web of ethnic, tribal, and familial interests, obligations, and rivalries. And the multinational coalition in Afghanistan has not been known for its unity of objective. There are simply 'too many cooks in the kitchen' and this may be a hindrance to stability in the country. If the APRP is to succeed, the disparate and numerous stakeholders must ensure consistency of effort and direction.

The second policy challenge is in achieving truly community-based effects. The danger of R2 is breeding resentment among population who feel former insurgents are being unduly advantaged.<sup>24</sup> The APRP is designed to address this in a multifaceted approach to creating stability on a community-wide basis. It aims to do this in three ways: by strengthening of security and civilian institutions of governance to promote peace and reintegration; the facilitation of the political conditions and support to the Afghan people to establish an enduring and just peace; and the enhancement of national, regional and international support and consensus to foster peace and stability.<sup>25</sup> Moreover, it claims to utilise existing development delivery mechanisms, such as the highly successful National Solidarity Programme (NSP), and builds upon, rather than replaces, the Strengthening Peace and Disarmament of Illegally Armed Groups programs.<sup>26</sup> The intention is to benefit all Afghans, not just those once affiliated with insurgent groups.

---

<sup>21</sup> ISAF Public Affairs Office 'ISAF Says Insurgents Seek to Reintegrate', Press Release, 1 July 2010, <<http://www.isaf.nato.int/article/isaf-releases/isaf-says-insurgents-seek-to-reintegrate.html>> [Accessed 30 June 2011].

<sup>22</sup> See ISAF HQ, 'Reintegration Guide', Force Reintegration Cell, 27 June 2010, classified NATO / ISAF FOUO REL GIROA.

<sup>23</sup> Islamic Republic of Afghanistan, *Afghanistan Peace and Reintegration Program (APRP)*, Executive Summary, p. 4.

<sup>24</sup> Lieutenant Colonel Nicholas Floyd, "Grasping the Nettle: Why Reintegration is Central to Operational Design in Southern Afghanistan", Asia Pacific Civil-Military Centre of Excellence, Civil-Military Occasional Paper, 1/2011, p. 10

<sup>25</sup> *Ibid.*, p. 2

<sup>26</sup> *Ibid.*, p.3

Already the concerted and consolidated effort is paying (small) dividends.<sup>27</sup> An increasing number of tactical successes<sup>28</sup> (that go mostly unreported in the western media) have been contributing a sense of the 'inevitability of peace' on the ground. But if this momentum is not capitalised on, the first small positive signs will never amount to success for the APRP. Strengthening this still tenuous foundation requires steady and clear-headed perseverance in tailoring solutions to communities while ensuring coordination and unity of purpose with all other communities.<sup>29</sup> Above all, such solutions must have broad community 'buy-in' otherwise they risk creating yet another polarising effect. And this, unfortunately, is easier said than done.

### **'So What' for Australia**

The APRP represents for Australia, as for most other ISAF nations, an opportunity to begin diminishing its military presence while maintaining stability and continuing to build on the development goals already established. Australia was one of the first countries to pledge funds to the APRP and has committed a total of \$25 million to it.<sup>30</sup> This commitment can be used within Australia to frame drawdown discussions in the context of a continued strategic engagement. However, the Australian Government, and indeed all other ISAF contributors, must carefully avoid perpetuating the impression already extant in many Afghan minds that R2 is "a desperate bid by the international community to support any quick 'winning strategy' that will get their troops home."<sup>31</sup>

As for the implementation of APRP-related activities, Australian agencies on the ground in Afghanistan, as well as in their planning headquarters, must ensure that efforts are effects-based and coordinated across government, non-government, and international stakeholders.<sup>32</sup> This means joint planning between AusAID (Australian Agency for International Development—currently the lead on reintegration projects in Uruzgan province), the Department of Foreign Affairs and Trade and the Department

---

<sup>27</sup> Government of the United States of America, 'Report on Progress Toward Security and Stability in Afghanistan', p. 67.

<sup>28</sup> James Brown, 'Inflict Enough Pain and Taliban will Negotiate', *The Age*, 19 October 2010.

<sup>29</sup> Lieutenant Colonel Nicholas Floyd, "*Grasping the Nettle: Why Reintegration is Central to Operational Design in Southern Afghanistan*", Asia Pacific Civil-Military Centre of Excellence, Civil-Military Occasional Paper, 1/2011, p. 12

<sup>30</sup> R. C. Smith, 'Kabul International Conference on Afghanistan; Statement by Mr R C Smith, Special Envoy for Afghanistan and Pakistan', Department of Foreign Affairs and Trade, 20 July 2010, <<http://www.dfat.gov.au/media/statements/conference-on-afghanistan.html>> [Accessed 25 June 2011].

<sup>31</sup> Sajjad, *Peace at all Costs?*, p. viii.

<sup>32</sup> Lieutenant Colonel Nicholas Floyd, "*Grasping the Nettle: Why Reintegration is Central to Operational Design in Southern Afghanistan*", Asia Pacific Civil-Military Centre of Excellence, Civil-Military Occasional Paper, 1/2011, pp. 17-18

of Defence. One method for such multiagency collaboration is the conflict-prevention model from the Asia-Pacific Civil-Military Centre of Excellence.<sup>33</sup>

## Conclusion

Reconciliation and reintegration are complementary processes in a new, holistic phase of attempted stability in Afghanistan. Although reintegration, demobilisation and disarmament have been tried before, the APRP has the distinct advantage of sheer political will behind it and a truly community-based approach (at least in theory). Australia has already made a substantial financial commitment to the APRP but now needs to ensure that commitment translates into a truly collaborative multi-agency implementation. Yet whether the APRP will lead directly to stability in Afghanistan, or whether some future program will need to succeed it is unclear. What is certain, however, is that without a decisive military defeat there can be no end to conflict without reintegration and reconciliation in some guise. The APRP is a solid attempt at bringing this about, and while it faces many challenges, its failure should not be considered a foregone conclusion.

*Paula Hanasz is a consultant with Noetic Solutions. She lived in Afghanistan from 2008 to 2010 conducting psychological operations for the International Security Assistance Force (ISAF) in Afghanistan. She has been heavily involved in explaining reintegration to Afghan audiences and has carried out first-hand research into Afghan attitudes on the topic. [paulahanasz@noeticgroup.com](mailto:paulahanasz@noeticgroup.com).*

---

<sup>33</sup> Asia-Pacific Civil-Military Centre of Excellence, 2011 (pending) *Multiagency and Planning Model for Conflict Prevention*.

---

# Explaining China's Participation in Bilateral and Multilateral Military Exercises

Wilson Chun Hei Chau

The People's Liberation Army's recent participation in bilateral and multilateral military exercises is a remarkable evolution in China's approach to military diplomacy and national security. These exercises are better understood when viewed within the context of Beijing's confidence-building strategy, recognition of non-traditional threats, emphasis on force modernisation and military operations other than war, and desire to counterbalance the United States. In addition, the analysis of both the benefits and implications these exercises have for the Chinese military provides observers with a better understanding of the People's Liberation Army and its approach to military diplomacy.

China's participation in bilateral and multilateral exercises with foreign militaries is a recent, yet understudied phenomenon. Traditionally, the People's Liberation Army (PLA) did not conduct "combined activities such as training or exercises with any foreign militaries."<sup>1</sup> Yet, in October 2002, several hundred soldiers of the Chinese and Kyrgyz armed forces gathered for a counterterrorism exercise along their borders. Codenamed *Exercise 01*, the two militaries coordinated a simulated joint operation.<sup>2</sup> Since then, the PLA and the People's Armed Police (PAP) have participated in at least thirty-three ground exercises with thirteen foreign armies, while the People's Liberation Army Navy (PLAN) conducted nineteen international maritime exercises including thirteen foreign navies, and the People's Liberation Army Air Force (PLAAF) took part in one air combat exercise.

This article analyses China's participation in international exercises between 2002 and 2010 to identify its motivations behind this policy change. Five factors were critical in Beijing's decision to embrace international exercises. Firstly, the exercises are valuable in supporting China's confidence-building strategy because they have the potential to promote mutual trust between militaries. Secondly, China's threat perception has taken into account non-traditional security threats such as terrorism, separatism, religious extremism and drug trafficking. Because these challenges are transnational in nature,

---

<sup>1</sup> David M. Finkelstein and Michael A. McDevitt, 'Introduction: Patterns of PLA Warfighting', in Mark A. Ryan, David M. Finkelstein and Michael A. McDevitt (eds), *Chinese Warfighting: The PLA Experience since 1949* (New York: M. E. Sharpe, 2003), p. 6.

<sup>2</sup> Dennis J. Blasko, 'People's Liberation Army and People's Armed Police Ground Exercises with Foreign Forces', in Roy Kamphausen, David Lai and Andrew Scobell (eds), *The PLA at Home and Abroad: Assessing the Operational Capabilities of China's Military* (Carlisle, Pennsylvania: Strategic Studies Institute, United States Army War College, 2010), p. 82.

Beijing has sought to exercise with neighbouring militaries in order to enhance its capabilities and explore the possibilities of cooperative contingencies against these threats. Thirdly, international exercises are valuable opportunities for the PLA to enhance its modernisation efforts through testing key capabilities and learning new doctrines from foreign militaries. Fourthly, the growing emphasis on Military Operations Other Than War (MOOTW) has provided the PLA with an imperative to participate in bilateral rescue and humanitarian exercises. Finally, Beijing has used international exercises to display and project modern capabilities as a signal of its increasing military strengths to others. In addition to analysing these five factors, observations on the future trajectory of these exercises and their impact on the PLA will be discussed in the closing section.

### **Multinational Military Exercises: Concept and Purpose**

Multinational military exercises constitute one of the most open forms of military diplomacy. At an elementary level, bilateral and multilateral exercises facilitate cooperation. In addition to collaborative activities, it requires militaries to be transparent with regard to their doctrines and tactics. International exercises also represent one of the most sophisticated and challenging forms of military-to-military engagement. Logistically, they are expensive to execute and require the host country to support a sizeable foreign force. Especially in a multilateral exercise, planners face the difficulty of meeting different logistical requirements between forces. Participating militaries must integrate their communications and information-sharing practices under a unified command. In addition, legal, cultural and language barriers must be overcome.

Since multinational military exercises are expensive, their undertaking depends on certain preconditions such as shared interests and a healthy political relationship between states involved. One example is the exercises conducted under the Five Power Defence Arrangements (FDPA) between the United Kingdom, Australia, New Zealand, Malaysia and Singapore. They involve long-established links within the British Commonwealth and a common interest to defend the Malay Peninsula from external attack.<sup>3</sup> In addition to preconditions, there must be imperatives that will push both sides to commit to an exercise. They may be of military nature, such as the need for different militaries to develop the technical and tactical capabilities to operate as one cohesive force. For example, the North Atlantic Treaty Organisation (NATO)—characterised by a collective defence commitment—places considerable importance on joint operational capabilities between

---

<sup>3</sup> Desmond Ball and Pauline Kerr, *Presumptive Engagement: Australia's Asia-Pacific Security Policy in the 1990s* (New South Wales: Allen & Unwin Australia, 1996), pp. 12, 94.

member forces.<sup>4</sup> NATO exercises are thus used for perfecting compatibility and interoperability.

However, there are also non-military imperatives. International exercises can be used as a symbolic means to achieve foreign policy, security and economic goals. Non-military imperatives arise mainly from the interests of political leadership. For example, the United States employed the US-Korean Team Spirit exercises with South Korea between 1976 and 1996 as a means of deterring and extracting concessions from Pyongyang.<sup>5</sup> The imperatives to participate in international exercises are unique to each country and China is no exception.

## **Overcoming Traditional Resistance to International Exercises**

China's past political climate did not generate the preconditions for the PLA to engage in international exercises. Firstly, the PLA's traditional missions provided little scope for facilitating international exercises. Under Mao Zedong, the PLA was ideologically and symbiotically linked to the Chinese Communist Party (CCP).<sup>6</sup> The military was required to fulfil political, economic and social roles, in addition to its wartime functions. The PLA's primary responsibilities to this day are to defend China from invasion, prepare for the reunification of Taiwan by force, and protect the CCP. These internal missions provided little common ground for the PLA to cooperate with foreign militaries.

Secondly, China's domestic and external environment was not conducive to international exercises. The 'Great Leap Forward', the 'Cultural Revolution', and the turmoil that surrounded the 'Gang of Four' were severely disruptive for the PLA. Furthermore, the PLA's image was tarnished following the Tiananmen Square massacre in 1989. Thirdly, non-transparency has been a traditional barrier to cooperative activities. China has been consistently criticised by the United States and others about its lack of transparency when it comes to defence spending, force structure and armament programs. The PLA is therefore reluctant to expose its forces to foreign observation in order to preserve ambiguity regarding its military capabilities.

Finally, China has announced the pursuit of a "peaceful rise", following Deng Xiaoping's belief that China should avoid assertive displays on the

---

<sup>4</sup> Scott Moreland and James Mattox, 'Pressing Contemporary Issues', in Scott Jasper (ed.), *Transforming Defense Capabilities: New Approaches for International Security* (London: Lynn Rienner Publishers, 2009), p. 81.

<sup>5</sup> John F. Farrell, 'Team Spirit: A Case Study on the Value of Military Exercises as a Show of Force in the Aftermath of Combat Operations', *Air & Space Power Journal*, vol. 20 (Fall 2009), p. 94.

<sup>6</sup> Andrew Scobell, *Chinese Army Building in the Era of Jiang Zemin* (Carlisle, Pennsylvania: Strategic Studies Institute, US Army War College, August 2000), p. 12.

international stage.<sup>7</sup> Chinese leaders continue to articulate the principle of peaceful rise. For instance, Premier Wen Jiabao stated that “China will not pose a threat to any other country.”<sup>8</sup> In addition, Chinese leaders have repeatedly resisted the suggestion of joining or creating military alliances.<sup>9</sup> China’s participation in international military exercises could reveal the PLA to be an alarmingly aggressive force. Alternatively, a sustained programme of intense exercises with another country could lead others to believe that China was pursuing an alliance. China’s peaceful rise is not a roadblock to the PLA’s participation in international exercises. However, to avoid major contradictions to its portrayed image as a responsible stakeholder and non-threatening actor, it does limit the scope of external activities the armed forces can engage in.

Given this, Beijing’s decision to participate in international exercises is a remarkable step forward. This development is attributable to the existence of preconditions and imperatives. China has achieved rapid economic growth and attained a high degree of political stability. The nation’s growing confidence on the world stage and renormalisation of diplomatic relations with most countries has fostered a favourable external environment. These developments give rise to some of the preconditions for the execution of bilateral and multilateral military exercises. In particular, economic interdependence and pragmatically driven diplomacy leads to a convergence of interest in dealing with common security issues, thus facilitating opportunities for bilateral and multilateral security cooperation. But preconditions alone do not automatically lead to military cooperation. The dramatic shift in policy is the result of political and military imperatives that have pushed the PLA on a trajectory towards the pursuit of international exercises.

## Exercises with Chinese Characteristics

Between 2002 and 2010, the PLA and the PAP participated in 52 bilateral and multilateral exercises.<sup>10</sup> China’s rate of participation in international exercises has increased considerably in recent years, with fourteen and twelve exercises held in 2009 and 2010, respectively. By 2010, the PLA had

---

<sup>7</sup> Evan Medeiros, ‘Agents of Influence: Assessing the Role of Chinese Foreign Policy Research Organizations after the 16<sup>th</sup> Party Congress’, in Andrew Scobell and Larry Wortzel (eds), *Civil-Military Change in China: Elites, Institutes, and Ideas After the 16<sup>th</sup> Party Congress*, (Carlisle, Pennsylvania: Strategic Studies Institute, US Army War College Press, 2004), p. 297.

<sup>8</sup> Bonnie S. Glaser and Evan S. Medeiros, ‘The Changing Ecology of Foreign Policy-Making in China: The Ascension and Demise of the Theory of “Peaceful Rise”’, *The China Quarterly*, vol. 190 (2007), p. 298.

<sup>9</sup> Richard Weitz, ‘Assessing Russian-Chinese Military Exercises’, *Small Wars Journal* blog, 30 September 2009, p. 10.

<sup>10</sup> Exercise figures and data collected from a variety of primary and secondary sources; including the *PLA Daily*, the Chinese Ministry of Defence website, Chinese National Defence White Papers, and essays written by Blasko. Prior to publication, there was no single source offering a total number of international exercises that the PLA had participated in.

participated in exercises with foreign militaries from all inhabited continents. Excluding maritime exercises, Chinese air and ground forces were deployed to twelve countries for exercises. Activities ranged from live-fire manoeuvres involving combined arms operations and counterterrorism training, to maritime search and rescue (SAR) and disaster relief. Most exercises involved a modest number of Chinese personnel. But the Shanghai Cooperation Organisation's (SCO) counterterrorism exercises were larger in scale. The SCO, comprised of China, Russia, Kazakhstan, Kyrgyzstan, Tajikistan and Uzbekistan, held five major ground exercises. Each exercise included armour and infantry manoeuvres, supported by special forces, aviation and artillery. A Chinese force of 700 soldiers participated in *Coalition 2003*, the first multinational exercise involving most SCO members.<sup>11</sup> *Peace Mission 2005*, mainly a bilateral exercise between China and Russia, saw a peak in participation with 8000 Chinese troops and the deployment of heavy and advanced weapons from both sides.<sup>12</sup> In the following three *Peace Mission* exercises, the PLA contributed at least 1000 personnel to each operation.

Despite the impressive milestones, the superficial nature of these exercises has been scrutinised by analysts. The exercises to date do not reflect realistic combat scenarios. As Blasko points out, the exercises are conducted in daylight, the short duration of the operations do not pose significant logistical challenges to the militaries, and the scripted sequence of battle means commanders rarely have to make tactical decisions based on changing conditions.<sup>13</sup> It is questionable whether these exercises offer any improvement to the participating militaries' war fighting capabilities. The restrained nature of these exercises might mean that the PLA has either decided against or is incompetent in testing the true extent of its capabilities when exposed to foreign militaries.

Regarding the execution of *Peace Mission* exercises, Weitz observes that Chinese and Russian forces chose to manoeuvre towards their objectives in parallel as opposed to developing integrated operations.<sup>14</sup> The PLA therefore prefers to preserve the autonomy of its forces from foreign command structures, as opposed to embracing integrated command. In addition, these exercises do not come close to the complexity and scale of those conducted by the United States and its allies. For instance, while *Peace Mission 2005* boasted a total of 10,000 Russian and Chinese troops,

---

<sup>11</sup> Blasko, 'People's Liberation Army and People's Armed Police Ground Exercises with Foreign Forces', p. 385.

<sup>12</sup> Weitz, 'Assessing Russian-Chinese Military Exercises', pp. 3-4.

<sup>13</sup> Blasko, 'People's Liberation Army and People's Armed Police Ground Exercises with Foreign Forces', p. 410.

<sup>14</sup> Weitz, 'Assessing Russian-Chinese Military Exercises', pp. 7-8.

200,000 American and South Korean personnel participated in *Team Spirit 1986*.<sup>15</sup>

However, over-reliance on comparative assessments of the PLA's performance disregards the strategic significance of these exercises. International exercises mark a critical turning point in the PLA's thinking. Defending and upholding national interests is no longer reserved to activities within China's borders. The military's growing confidence in conducting cross-border and overseas exercises, coupled with the PLAN's focus on blue water operations and its recent decision to deploy warships to combat piracy in the Gulf of Aden, demonstrates that the PLA is placing increased value in defence activities outside the mainland.

### **Factor 1: Confidence-building**

Undertaking bilateral and multilateral exercises for the purpose of confidence-building is driven predominantly by political imperatives. Chinese leaders are aware of the international community's unease towards its rise. Southeast Asian countries have bolstered their militaries to counter Chinese expansion, while India and Australia have identified China as a long-term security challenge.<sup>16</sup> These concerns undermine Beijing's ambition to pursue a leadership role in the region. In response, Chinese leaders have intensified military diplomacy, as well as other diplomatic and economic engagement strategies, with the aim of promoting cooperation and minimising tensions along China's periphery.<sup>17</sup>

There are numerous activities contributing to China's confidence-building strategy. The PLA offered to train and educate twenty-three Indonesian military officers in 2008.<sup>18</sup> In 2009 and 2010, the Chinese Defence Minister toured Europe and Asia to meet with his counterparts.<sup>19</sup> US Pacific Fleet commanders were invited to visit China's First Marine Brigade in 2006 and 2008, while the PLA invited foreign observers to attend a range of military exercises including the *Jiaolong-2004* amphibious exercises.<sup>20</sup> Despite the increase in military diplomacy activities, it is arguable whether these actions

---

<sup>15</sup> Farrell, 'Team Spirit', p. 95.

<sup>16</sup> Bhaohul Zhang, 'Chinese Foreign Policy in Transition: Trends and Implications', *Journal of Current Chinese Affairs*, vol. 39 (2010), p. 53.

<sup>17</sup> Kristen Gunnes, 'China's Military Diplomacy in an Era of Change', paper prepared for the National Defense University Symposium on China's Global Activism: Implications for US Security Interests, National Defense University, Fort Lesley J. McNair, Washington D.C., 20 June 2006, p. 3.

<sup>18</sup> Thomas Lum et al., 'Comparing Global Influence: China's and US Diplomacy, Foreign Aid, Trade, and Investment in the Developing World', CRS Report for Congress, Washington D.C., Congressional Research Service, 15 August 2008, p. 9.

<sup>19</sup> Robert Sutter and Chin-Hao Huang, 'China-Southeast Asia Relations: Military Diplomacy and China's Soft Power', *Comparative Connections*, vol. 12 (2010), p. 75.

<sup>20</sup> Dennis J. Blasko, 'China's Marines: Less is More', *China Brief*, vol. 10, no. 24 (December 2010), <[http://www.jamestown.org/programs/chinabrief/single/?tx\\_ttnews%5Btt\\_news%5D=37246&cHash=42a8cbf6c2](http://www.jamestown.org/programs/chinabrief/single/?tx_ttnews%5Btt_news%5D=37246&cHash=42a8cbf6c2)> [Accessed 20 December 2010].

represent genuine efforts by the Chinese leadership to improve the quality of military-to-military engagement. Most of the activities observed to date are more or less token expressions of friendship. Nonetheless, the range of military diplomacy activities is expanding, permitting the incorporation of international military exercises.

Bilateral exercises represent an important confidence-building measure. A major source of conflict between nation states stems from a lack of information about capabilities and intentions.<sup>21</sup> Military exercises serve to suppress this uncertainty. They provide opportunities for militaries to better understand each other's capabilities and intentions. Bilateral exercises additionally generate confidence because they reflect areas of mutual interest. The exercises may also soften the competitive mindsets of the participating militaries, funnelling their energies from confrontation to cooperation.

The Chinese military will only engage in international exercises when long-term military-to-military relations reach a mature stage. A high level of trust must exist between the two sides before bilateral military exercises are considered seriously. This was the case in China's confidence-building strategy with India.<sup>22</sup> Trust was initially generated by elementary confidence-building measures. These included the 1996 'Lines of Actual Control' agreement and a naval port call by two Chinese warships in 2001. Soon after, Indian and Chinese ships conducted a bilateral naval SAR exercise off the coast of Shanghai in 2003. Following a friendly sporting event between the two militaries, Chinese and Indian border troops conducted their first ground exercise in 2004. Chinese troops crossed the border on India's Independence Day and the two armies executed mountaineering drills.<sup>23</sup> Since then, both sides have carried out four additional exercises. The latest was an anti-terror exercise codenamed *Hand-in-Hand 2008*.<sup>24</sup> The history of Sino-Indian military cooperation illustrates the PLA's general approach to international exercises. The PLA will not initiate bilateral exercises until other forms of confidence-building measures are implemented. Time is given for the inter-military relationship to consolidate. After the success of one or two 'trial' exercises, both sides reach a sufficient level of confidence to regularise bilateral training activities. The same process can be observed

---

<sup>21</sup> David H. Bearce, Kristen M. Flanagan and Katherine M. Floros, 'Alliances, International Information, and Military Conflict Among Member-States', *International Organization*, vol. 60 (2006), p. 603.

<sup>22</sup> Srikanth Kondapalli, 'The Chinese Military Eyes South Asia', in Andrew Scobell and Larry M. Wortzel (eds), *Shaping China's Security Environment: The Role of the People's Liberation Army* (Carlisle, Pennsylvania: Strategic Studies Institute, United States Army War College, 2006), pp. 222-4.

<sup>23</sup> Blasko, 'People's Liberation Army and People's Armed Police Ground Exercises with Foreign Forces', p. 386.

<sup>24</sup> *Ibid.*, p. 397.

in China's military engagement with other countries, including Russia, the Central Asian states and Thailand.

However, this process does not always apply. China still commits to exercises on an irregular basis with some foreign militaries. This is observed in Sino-Australian military diplomacy. The two countries had previously facilitated senior officer visits, port calls, defence consultations and educational exchanges.<sup>25</sup> Subsequently, both sides executed a basic maritime SAR drill in the Tasman Sea in 2007, an exercise that coincided with a PLAN visit to New Zealand and Australia.<sup>26</sup> The next exercise, however, did not occur until 2010, in the form of a Sino-Australian live-fire naval exercise.<sup>27</sup> Unless both sides have the political will to facilitate regular exercises, bilateral exercises with China will be mainly a one-off occurrence rather than a repeated feat.

In particular, political will may not consistently be maintained on the Chinese side. For instance, the PLA may not think it necessary to exercise regularly with the Australian military. Australia does not constitute an immediate security concern along its periphery, unlike India. There is therefore no urgency to utilise regular exercises as a confidence-building instrument. Alternatively, China may not see Australia as a prospective security partner because of its geographical distance. Nonetheless, this is not to say that China undervalues military exercises with Australia. Exercises with its distant partners serve as a valuable opportunity to publicly and politically enhance China's image, in spite of the lack of consistency in Beijing's approach.

## Factor 2: Threat Perception

China's recognition of non-traditional security threats is an important rationale supporting the PLA's participation in international exercises. Since 2000, there has been a gradual shift in China's strategic orientation. In addition to separatism, Beijing's recognition of non-traditional threats now incorporates terrorism, religious extremism, drug-trafficking, illegal migration, piracy, and transnational crime.<sup>28</sup> Although the PLA's missions and

---

<sup>25</sup> PLA Daily, 'Guo Boxiong's Visit Will Enhance China's Military Ties with Australia, New Zealand and Indonesia', Ministry of National Defense of The People's Republic of China, 11 May 2010, <[http://eng.mod.gov.cn/Opinion/2010-05/11/content\\_4155141.htm](http://eng.mod.gov.cn/Opinion/2010-05/11/content_4155141.htm)> [Accessed 18 December 2010].

<sup>26</sup> Ibid.

<sup>27</sup> Royal Australian Navy, 'Royal Australian Navy Joins China in Live-fire Exercise', Royal Australian Navy, 24 September 2010, <[http://www.navy.gov.au/Royal\\_Australian\\_Navy\\_joins\\_China\\_in\\_live\\_fire\\_exercise](http://www.navy.gov.au/Royal_Australian_Navy_joins_China_in_live_fire_exercise)> [Accessed 6 January 2011].

<sup>28</sup> Keith Crane et al., *Modernizing China's Military: Opportunities and Constraints* (Santa Monica, California: RAND Corporation, 2005), p. 199. Reference to non-traditional threats is also made in General Cao Gangchuan's speech during his visit to Tajikistan. See Roger N. McDermott, *The Rising Dragon: SCO Peace Mission 2007*, Occasional Paper (Washington D.C.: The Jamestown Foundation, October 2007), pp. 5-8.

responsibilities have been expanded to meet new security challenges, the Chinese leadership recognises the limits of unilateral actions given the transnational nature of non-traditional threats. Consequently, Beijing has acknowledged the advantages of bilateral and multilateral military cooperation.

### **THE THREE EVILS: TERRORISM, SEPARATISM AND EXTREMISM**

Beijing considers terrorism, separatism and extremism as the “Three Evils”.<sup>29</sup> The issue of separatism in Xinjiang province has been prominent on Beijing’s agenda. Although it has been traditionally treated as a matter of domestic security, the issue has transnational aspects. The Chinese government is concerned about the links between insurgents in Xinjiang and Islamic militant groups in Central Asia.<sup>30</sup> Secession or conflicts sparked by Islamic extremists in Central Asia would drastically impair security along China’s western borders and encourage Uighur separatists. Because separatism transcends China’s borders, Chinese authorities have recognised the mutual benefits of working with Russia and Central Asian states to curb the threat.<sup>31</sup>

Beijing has also identified international terrorism as a threat to its interests. China closed its borders with Afghanistan and Pakistan due to concerns that Al Qaeda fighters might flee across the border, while Chinese workers in Pakistan were victims to terrorist attacks on at least two occasions.<sup>32</sup> The SCO is the predominant cooperative framework in China’s counterterrorism and anti-separatism strategy. During the Shanghai Five’s Alma-Ata summit in July 1998, China, Russia, Kazakhstan, Kyrgyzstan and Tajikistan declared that “any form of national splittism, ethnic exclusion and religious extremism is unacceptable”.<sup>33</sup> The common threat perception resulted in a series of regional military exercises designed to simulate multinational operations against terrorists and separatists. *Exercise 01, Cooperation 2003, Coordination 2006*, and the three most recent *Peace Mission* exercises exhibited similar features. For example, the opposing forces in these SCO exercises assumed the role of small terrorist forces, operating in mountainous regions and having occasional access to unconventional weapons.<sup>34</sup>

---

<sup>29</sup> Hak Yin Li and Zhengxu Wang, ‘Assessing China’s Influence in Central Asia: A Dominant Regional Power?’, *Briefing Series*, vol. 53 (2009), p. 5.

<sup>30</sup> Ariel Pablo Sznajder, ‘China’s Shanghai Cooperation Organization Strategy’, *Journal of IPS*, vol. 5 (2006), <<http://irps.ucsd.edu/assets/004/5367.pdf>> [Accessed 15 December 2010], pp. 93-5.

<sup>31</sup> Michael Snyder, ‘The Shanghai Cooperation Organization: A New Order in Central Asia’, *Stanford Journal of East Asian Affairs*, vol. 8 (2008), p. 17.

<sup>32</sup> Kondapalli, ‘The Chinese Military Eyes South Asia’, pp. 235-6.

<sup>33</sup> Ming-Yen Tsai, *From Adversaries to Partners? Chinese and Russian Military Cooperation After the Cold War* (Westport, Connecticut: Praeger, 2003), p. 65.

<sup>34</sup> Blasko, ‘People’s Liberation Army and People’s Armed Police Ground Exercises with Foreign Forces’, p. 378.

The deterrent function of SCO exercises has been useful for advancing Beijing's strategy to curb the 'Three Evils'. It sends a political message to non-state actors that SCO member states have the means and political will to deliver a potent response. The exercises have also been timed as political responses to crises. *Peace Mission 2007* was designed to reflect the Andijan Crisis in Uzbekistan in 2005.<sup>35</sup> *Peace Mission 2009* was conducted after the July riots in Urumqi, Xinjiang. Major General Wang Haiyun, former Chinese military attaché to Russia, admitted that "to some extent, the July 5 Xinjiang riot pushed forward anti-terrorism cooperation between China and Russia."<sup>36</sup> *Peace Mission 2010* was interpreted as a direct response to the overthrow of the Kyrgyz President Kurmanbek Bakiev and a terrorist ambush that killed 25 Tajik soldiers earlier that year.<sup>37</sup> Although the SCO has evidently failed to prevent these crises, multilateral exercises have purported to deter similar incidents from happening in the future. Therefore, the Chinese government has embraced these exercises for their value in deterring non-state threats and demonstrating the unified resolve of the SCO to combat the 'Three Evils'.

China has also pursued anti-terror exercises with militaries in South and Southeast Asia as a way of promoting a regional consensus against this threat. The PLA conducted cross-border counterterrorism exercises with Pakistani forces in 2004, 2006 and 2010.<sup>38</sup> Anti-terror exercises have also been held with India and Thailand. In 2009 and 2010, the PLA launched exercises with the Singaporean Armed Forces (SAF) to practice joint responses to a nuclear, biological or chemical terrorist attack.<sup>39</sup> The exercises with Singapore are unique in the sense that they focused on emergency responses to urban terrorism.

Whether China's participation in bilateral and multilateral anti-terror exercises has deepened military cooperation in combating terrorism is debatable. Counterterrorism exercises serve a useful political and deterrent function in Beijing's calculations. They are also an indication that the PLA is becoming increasingly proactive in exploring cooperative contingencies against terrorist threats. Substantive cooperation in counterterrorism beyond these exercises, however, cannot be achieved without the establishment of follow-on bilateral or multilateral mechanisms. The SCO's regional anti-terror structure has facilitated intelligence analysis and exchange between

---

<sup>35</sup> McDermott, *The Rising Dragon*, p. 16.

<sup>36</sup> Weitz, 'Assessing Russian-Chinese Military Exercises', p. 9.

<sup>37</sup> Richard Weitz, 'China's Growing Clout in the SCO: Peace Mission 2010', *China Brief*, vol. 10, no. 20 (2010), p. 8-9.

<sup>38</sup> Kondapalli, 'The Chinese Military Eyes South Asia', p. 234.

<sup>39</sup> Blasko, 'People's Liberation Army and People's Armed Police Ground Exercises with Foreign Forces', p. 401.

member states.<sup>40</sup> But the effectiveness of the structure in preventing and combating terrorism in Central Asia is difficult to measure. While the PLA is likely to increase its participation in anti-terror exercises, it remains to be seen whether Beijing is willing to commit its political and military resources towards sustaining long-term multinational anti-terror regimes.

### **DRUG TRAFFICKING**

Beijing has identified the international narcotics trade as a transnational threat to Chinese society.<sup>41</sup> Drug abuse is problematic in all provinces. Over 800,000 individuals were infected with HIV through drug use, and there were over a million registered drug addicts in China by 2003, although the figure could be as high as 12 million users.<sup>42</sup> A major crackdown over a six-month period in 2004 resulted in the arrest of 34,719 suspects and 2186 gangs involved in the narcotics trade.<sup>43</sup> As much as it is a domestic law enforcement issue, Chinese authorities implemented countermeasures against the drug trafficking networks operating along its southern and western borders. China has also turned to multinational activities. This includes some military-to-military cooperation. The Sino-Thai exercises of 2007 and 2008 reflected the interest of both countries in combating drug smugglers. While *Strike 2007* was largely composed of confidence-building and teambuilding activities between small numbers of troops from both sides, the live-fire phase of the exercise involved a coordinated attack on a smuggler's camp.<sup>44</sup> The exercises are significant in two regards. Firstly, training with foreign militaries that are experienced in anti-drug operations, like the Thai army, will enhance the PLA's competency in carrying out its domestic anti-drug mission. Secondly, the exercises offer experience for the PLA in executing anti-smuggling operations with its neighbours should the need arise for a coordinated military response against drug traffickers.

### **ILLEGAL TRANS-BORDER ACTIVITIES**

China considers regional cooperation in border management a means of securing its frontiers. SCO members have a shared concern regarding:

---

<sup>40</sup> Hugo Dobson, 'Leadership in Global Governance: Japan and China in the G8 and the United Nations', in Christopher M. Dent (ed.), *China, Japan and Regional Leadership in East Asia* (Northampton: Edward Elgar Publishing Ltd, 2008), pp. 206-8.

<sup>41</sup> Niklas Swastrom, 'Narcotics and China: An Old Security Threat from New Sources', *China and Eurasia Forum Quarterly*, vol. 4 (2006), p. 116.

<sup>42</sup> *Ibid.*, pp. 115-20.

<sup>43</sup> *Ibid.*

<sup>44</sup> Blasko, 'People's Liberation Army and People's Armed Police Ground Exercises with Foreign Forces', p. 391.

the smuggling of weapons, ammunitions, explosives, and drugs [as well as] organised transnational crime, illegal immigration and mercenary troop activities.<sup>45</sup>

PLA and PAP border defence units have thus participated in cross-border exercises with their neighbouring counterparts. The first bilateral border management exercise was carried out by Chinese and Russian forces in 2003. The exercise involved dozens of frontier defence troops in the coordinated interception and apprehension of border-crossers.<sup>46</sup> The Sino-Kazak exercise in 2009 consisted of troops forming a bilateral command mechanism to coordinate patrols and checkpoints.<sup>47</sup> In addition, PAP and Russian frontier units held a rescue drill in an area between Heihe and Blagoveschensk.<sup>48</sup> These exercises are not given the same level of attention as the SCO's counterterrorism exercises. Nevertheless, they have proven valuable in enabling China's border defence units and their counterparts to coordinate bilateral responses to a variety of trans-border threats.

#### **FAILED STATES AS A SECURITY THREAT**

The total collapse of any country along China's borders would be a humanitarian disaster. It would present Beijing with tremendous challenges in terms of the potential for refugees, instability and violence spilling over into China. These factors were major contributing factors underpinning *Peace Mission 2005*, an exercise held in China's Shandong Province nominally executed under the SCO banner, with the principal participants being China and Russia. The scenario required Russia and China to respond to an appeal for assistance from hypothetical "Country S", with the consent of the United Nations.<sup>49</sup> A coordinated action involving ground forces, the insertion of paratroopers, and an amphibious landing was carried out in order to secure the hypothetical nation. McDermott observes that non-combat elements usually associated with humanitarian interventions, such as peacekeeping and policing operations, were absent.<sup>50</sup>

Notwithstanding these inaccuracies, however, it was a symbolic demonstration of Moscow and Beijing's ability to coordinate a military response to a failed state-situation. Although Chinese officials have consistently dismissed the idea that *Peace Mission 2005* was aimed at a

---

<sup>45</sup> Pan Guang, 'The SCO's Success in Security Architecture', in Ron Huisken (ed.), *The Architecture of Security in the Asia-Pacific* (Canberra: Australia National University E-Press, 2009), p. 36.

<sup>46</sup> Blasko, 'People's Liberation Army and People's Armed Police Ground Exercises with Foreign Forces', p. 384.

<sup>47</sup> *Ibid.*, p. 391.

<sup>48</sup> *Ibid.*, pp. 398-9.

<sup>49</sup> *Ibid.*, pp. 388-9.

<sup>50</sup> McDermott, *The Rising Dragon*, p. 6.

specific country, analysts believe that North Korea may have been the intended target given the fallout from a regime collapse in Pyongyang.<sup>51</sup>

### Factor 3: PLA Modernisation

International exercises have contributed to China's military modernisation by providing the PLA with opportunities to observe foreign tactics and doctrines. Exercises with the combat seasoned Russian military represent a useful opportunity for the PLA to observe alternative tactics. In *Peace Mission 2009*, Guo Yaodong, commander of the Ninth PLA Army Aviation Regiment, was so impressed with the way Russian helicopters approached and departed their targets at low altitudes that he recommended the PLA to enhance its flight training.<sup>52</sup> During the same exercise, Hua Yi, commander of the 190th Brigade, was advised by his Russian counterparts not to employ armoured assets during the urban phase of the exercise due to their vulnerability in close quarters combat.<sup>53</sup> Chinese officers therefore appreciate the opportunity to observe their counterparts in action. Their observations will most likely enrich and challenge the PLA's doctrines.

Overseas and cross-border exercises have given the PLA a unique opportunity to practice long-distance deployment. The PLA recognises that one of the prerequisites for becoming a major military power is mastering forward deployment away from China. *Peace Mission 2010* was the latest opportunity for the PLA to test their power projection capabilities. It used a mix of air and rail transport to rapidly move an expeditionary force of over 1000 men and their vehicles from Eastern China to Kazakhstan, a journey covering 5000 kilometres.<sup>54</sup> The success of this undertaking was a testament to the PLA's improved logistics. In addition, *Peace Mission 2010* was the first time the PLAAF simulated a long distance air-strike outside China. In previous Peace Mission exercises, the PLAAF had forward deployed only a handful of strike aircraft for close air support. But on this occasion, the PLAAF tested its newly developed integrated air strike capabilities. Four H-6 bombers with two J-10 fighter escorts, supported by tankers and an airborne command aircraft, took off from a base in Xinjiang and struck their targets in Kazakhstan.<sup>55</sup>

---

<sup>51</sup> Bates Gill and Chin-Hao Huang, *China's Expanding Role in Peacekeeping: Prospects and Policy Implications*, Policy Paper No. 25 (Elanders, Sweden: Stockholm International Peace Research Institute, November 2009), p. 20.

<sup>52</sup> Blasko, 'People's Liberation Army and People's Armed Police Ground Exercises with Foreign Forces', p. 403.

<sup>53</sup> Ibid.

<sup>54</sup> Weitz, 'China's Growing Clout', p. 10.

<sup>55</sup> Roger McDermott, 'China Showcases Expeditionary Military Power in Peace Mission 2010', *Eurasia Daily Monitor*, vol. 7, no. 174 (2010), <[http://www.jamestown.org/programs/edm/single/?tx\\_ttnews%5Btt\\_news%5D=36955&tx\\_ttnews%5BbackPid%5D=484&no\\_cache=1](http://www.jamestown.org/programs/edm/single/?tx_ttnews%5Btt_news%5D=36955&tx_ttnews%5BbackPid%5D=484&no_cache=1)> [Accessed 22 December 2010].

China has also capitalised on international exercises as a way of enhancing the quality of its officers and troops. The PLA now prizes overseas experience for its soldiers. An example is Chen Changfeng, commander of the First Marine Brigade, who spent two years in Germany receiving an MA in Military Science, speaks German, and has participated in SCO exercises.<sup>56</sup> In addition to sending personnel on peacekeeping operations, foreign visits, and study abroad programmes, the PLA considers international exercises a means of giving its troops exposure to the outside world. To add to the experience of operating with foreign troops, Chinese personnel have also been given opportunities to engage in cultural exchange and education activities that usually take place before or after an exercise. For instance, soldiers participating in the *Peace Missions 2007* and *2010* exercises were provided lectures on Russian language, culture and law.<sup>57</sup>

#### **Factor 4: Military Operations Other Than War**

Because MOOTW enhances China's soft power, Beijing has been more supportive towards externalising the military's non-combat activities. These include peacekeeping and disaster relief missions. One of President Hu Jintao's 'New Historic Missions' for the PLA, to "help ensure a peaceful global environment and promote mutual development", reinforces the military's existing commitment to peacekeeping.<sup>58</sup> China has been contributing observers, engineers, medical personnel, staff officers and police officers to United Nations peacekeeping operations since 1990. As of April 2008, 1981 Chinese peacekeepers were deployed on twelve peacekeeping missions.<sup>59</sup> The PLA has sought to strengthen military cooperation in this area by sending its officers to peacekeeping courses in other countries, hosting a number of international seminars on peacekeeping, and training foreign mine-clearing personnel.<sup>60</sup> These activities were complemented by an eight-day Sino-Mongolian peacekeeping exercise held in Beijing in June 2009. Approximately ninety troops from both sides formed a combined peacekeeping company and participated in a series of drills.<sup>61</sup> In addition to providing PLA troops with experience in coordinating overseas operations with foreign militaries, the exercise was also a useful public relations tool to demonstrate China's emerging leadership in peacekeeping.

---

<sup>56</sup> Elizabeth Hague, 'PLA Career Progressions and Policies', in Roy Kamphausen, Andrew Scobell and Travis Tanner (eds), *The 'People' in the PLA: Recruitment, Training and Education in China's Military* (Carlisle, Pennsylvania: Strategic Studies Institute, United States Army War College, 2010), p. 253.

<sup>57</sup> McDermott, *The Rising Dragon*, pp. 12-3.

<sup>58</sup> Hartnett, 'The PLA's Domestic and Foreign Activities', p. 1.

<sup>59</sup> Lum, *Comparing Global Influence*, p. 41.

<sup>60</sup> Gill and Huang, *China's Expanding Role in Peacekeeping*, pp. 17-8.

<sup>61</sup> Blasko, 'People's Liberation Army and People's Armed Police Ground Exercises with Foreign Forces', p. 401.

The PLA General Staff Department has accelerated efforts to enhance the military's disaster relief capabilities in order to better respond to domestic and external disasters.<sup>62</sup> The push for disaster relief capabilities can be attributed to recent natural disasters in China and the Asia-Pacific. The 2008 snowstorms and the Sichuan earthquake exposed weaknesses in the PLA's disaster relief capabilities. China also lacked the capacity to offer meaningful assistance to Southeast Asian countries following the 2004 Boxing Day tsunami.<sup>63</sup> As a result, the PLA has pursued several opportunities to work with foreign militaries in disaster relief activities. Chinese and Gabonese army medics participated in *Peace Angel 2009* which simulated a mine disaster.<sup>64</sup> This was followed by a similar relief exercise with Peru in 2010.<sup>65</sup> These exercises not only provide the PLA with experience in deploying rescue teams overseas, but also allow China to flex its soft power in developing countries.

In addition, as part of its transition to a blue water navy, the PLAN has been encouraged to address its shortcomings in the areas of maritime SAR and anti-piracy missions by learning from other navies.<sup>66</sup> China has conducted bilateral maritime SAR exercises with a number of navies, including Australia, Pakistan, India, New Zealand, Thailand, France, the United States and the United Kingdom.<sup>67</sup> In addition, the PLAN participated in *AMAN 07* and *09*, hosted by Pakistan. These were multinational exercises intended to improve international coordination in anti-piracy operations. Bilateral and multilateral maritime exercises allow the PLAN to observe other countries' SAR and anti-piracy procedures. They also offer the PLAN an opportunity to train communications with their foreign counterparts in international waters.

However, it should be noted that international maritime exercises so far only offer limited improvements to the PLAN's MOOTW capabilities. The

---

<sup>62</sup> Gill and Huang, *China's Expanding Role in Peacekeeping*, p. 15.

<sup>63</sup> Harold M. Tanner, 'The People's Liberation Army and China's Internal Security Challenges', in Roy Kamphausen, David Lai and Andrew Scobell (eds), *The PLA at Home and Abroad: Assessing the Operational Capabilities of China's Military* (Carlisle, Pennsylvania: Strategic Studies Institute, United States Army War College, 2010), pp. 242-51.

<sup>64</sup> Blasko, 'People's Liberation Army and People's Armed Police Ground Exercises with Foreign Forces', p. 400.

<sup>65</sup> Yang Zurong, 'PLA Medical Team Participates in Medical Rescue Joint Operation in Peru', Ministry of National Defense of the People's Republic of China, 18 November 2010, <[http://eng.mod.gov.cn/MilitaryExchanges/2010-11/18/content\\_4208815.htm](http://eng.mod.gov.cn/MilitaryExchanges/2010-11/18/content_4208815.htm)> [Accessed 10 January 2011].

<sup>66</sup> The PLAN is the "most flexible and outwardly focused arm of the PLA" and has proven to be a "useful tool with which to demonstrate China's soft power". See International Institute for Strategic Studies, 'China's Three-Point Naval Strategy', *Strategic Comments*, vol. 16, comment 37, 2010, <<http://www.iiss.org/publications/strategic-comments/past-issues/volume-16-2010/october/chinas-three-point-naval-strategy/>> [Accessed 5 January 2011].

<sup>67</sup> Heidi Holz and Kenneth Allen, 'Military Exchanges with Chinese Characteristics: The People's Liberation Army Experience with Military Relations', in Roy Kamphausen, David Lai and Andrew Scobell (eds), *The PLA at Home and Abroad: Assessing the Operational Capabilities of China's Military* (Carlisle, Pennsylvania: Strategic Studies Institute, United States Army War College, 2010), pp. 449-51.

activities have been more useful to Beijing as public relations events, rather than sophisticated exercises that strengthen the navy's conduct at sea. This may reflect the PLAN's still limited capacity in cooperating with foreign navies under complex conditions. However, in the long-term sustained operational experience in the Gulf of Aden and ongoing engagement in regional forums on maritime security will no doubt contribute to China's maritime MOOTW capabilities.

### **Factor 5: Counterbalancing Washington's Hegemony**

On the one hand, China seeks to weaken American influence in Asia. A string of US bases in Northeast Asia and the Western Pacific as well as the existence of American-led military alliances reinforces Chinese perceptions of a containment strategy orchestrated by Washington. Consequently, Beijing has launched diplomatic, economic and military measures to push back America's influence in the region. In Central Asia, the SCO has been one of the main instruments in China's strategy to exert political pressure on Washington. For instance, in 2005 SCO member states called on Washington to set a timetable for the withdrawal of its military from Central Asia.<sup>68</sup> Chinese leaders have also employed the SCO's Peace Mission exercises as a reminder to Washington that Beijing considers Central Asia part of its sphere of influence. However, China will not replace the United States or Russia as the dominant military power in Central Asia as long as Beijing lacks a permanent military presence and does not offer defence guarantees to the region.<sup>69</sup> In addition, divergences in Chinese and Russian interests will further weaken the prospects of an anti-US strategic alliance.

On the other hand, China has begun to exert military influence in regions beyond its periphery in a calculated move to counter Washington's hegemony. Beijing is hostile towards a unipolar international system dominated by the United States.<sup>70</sup> It considers American hegemony to have the ability to disrupt and isolate China's rise.<sup>71</sup> The two exercises held with the Turkish military in 2010 indicate that Beijing has begun to exploit international military exercises as a diplomatic tool to weaken US influence. China and Turkey have growing economic ties and a common interest in fighting separatists.<sup>72</sup> Within this bilateral framework, Turkey hosted an air combat exercise with the PLAAF and a ground exercise with the PLA.<sup>73</sup>

---

<sup>68</sup> Richard Weitz, 'China and Russia Hand in Hand: Will it Work?', *Global Asia*, vol. 2 (2007), p. 55.

<sup>69</sup> Richard Weitz, *China-Russia Security Relations: Strategic Parallelism Without Partnership or Passion?* (Carlisle, Pennsylvania: Strategic Studies Institute, United States Army War College, 2008), p. 63.

<sup>70</sup> Crane et al., *Modernizing China's Military*, p. 195.

<sup>71</sup> Tsai, *From Adversaries to Partners?*, p. 58.

<sup>72</sup> Rosita Delios and Nadir Kemal Yilmaz, 'Turkey and China: A Study in Symmetry', *Journal of Middle Eastern and Islamic Studies*, vol. 2 (2008), pp. 16-26.

<sup>73</sup> For a Turkish perspective on the exercises and how they fit within Turkey's own political/strategic ambitions, see Business Monitor International, 'China and Turkey: A

There are two significant aspects to these exercises. Firstly, given that Turkey is a US ally and key member of NATO the exercises have reinforced Beijing's diplomatic efforts to persuade the Turkish Government to shift away from a pro-Western foreign policy. Secondly, China is trying to use military diplomacy to pull more countries into its orbit, including traditional US allies. While the PLA is not currently in a position to compete with the US military's global presence, China's intensification of military diplomacy could slowly erode the unipolar status quo.

## Future Prospects

China's participation in international exercises is driven initially by political imperatives. Chinese leaders recognise the political value of these activities. The goal to abate regional anxieties about China's rise will provide the political momentum to expand the PLA's participation in international exercises. This is illustrated by official reports indicating the PLA's readiness to conduct maritime rescue and anti-drug trafficking exercises with the Philippines.<sup>74</sup> This gesture aims to improve confidence-building and security cooperation with its Southeast Asian neighbour. However, interest within the PLA's ranks is providing another source of momentum. The opportunities to provide its personnel with greater exposure to foreign environments, to test new capabilities overseas, and to improve the domestic and international image of the armed forces has generated a professional imperative for the PLA to participate in international exercises.

International exercises have had an important psychological impact on the PLA. They offer Chinese personnel the unique opportunity to interact with foreigners and deploy overseas. Language and communication becomes an obvious difficulty. To illustrate the extent of the challenge, over 200 interpreters were used in *Peace Mission 2007* while PLA personnel could only make use of simple English and hand gestures to communicate with their Thai counterparts.<sup>75</sup> Yet, the exercises have also played an important role in boosting the PLA's confidence. Chinese troops become more confident in their ability to interact with foreign militaries and to operate in offshore environments. The PLA also gains confidence from overcoming severe logistical challenges in a variety of new missions.

Still, Chinese interest in holding bilateral exercises may not be met with the same level of enthusiasm from other states. Lingering suspicion and distrust

---

Partnership to Reshape the World?', *Business Monitor International Newsletter*, 25 October 2010, <<http://www.riskwatchdog.com/2010/10/25/china-and-turkey-a-partnership-to-reshape-the-world/>> [Accessed 12 January 2011].

<sup>74</sup> D. J. Yap, 'China Ready to Hold Military Exercises with PH', *Philippine Daily Inquirer*, 23 December 2010, <<http://globalnation.inquirer.net/news/breakingnews/view/20101223-310597/China-ready-to-hold-military-exercises-with-PH>> [Accessed 15 January 2011].

<sup>75</sup> *Ibid.*, pp. 392, 394.

towards China's rise prevents some militaries in the region from engaging in more active forms of cooperation. China will also be reluctant to exercise with some countries in the foreseeable future. For instance, there is little optimism for more Sino-Japanese military cooperation, given the distrust between the two nations.

China's activeness on the international stage will have a positive effect on its participation in international exercises. The increasing number of exercises is indicative of China's rising confidence in projecting its military influence overseas. On the one hand, bilateral exercises are likely to be employed in tandem with existing military diplomacy activities, such as arms sales, education exchanges and training assistance, as a way of enhancing China's influence in developing countries. On the other hand, China could enhance its image as a responsible great power by participating in more exercises that focus on disaster relief and non-traditional threats. The medical rescue exercises with Gabon and Peru reinforce this point. Chinese leaders are expected to explore additional means to demonstrate the PLA's expanding capabilities in MOOTW, with the end goal of enhancing Beijing's soft power.

The PLA is likely to test its capabilities in more complex operations in future international exercises. Logistical and infrastructure support for Chinese forces deployed to exercises are gaining sophistication. For instance, the PLA practiced long-distance power projection capabilities during *Peace Mission 2010*. The PLA's participation in aerial war games with Turkey was also the first time Chinese combat aircraft conducted a transcontinental flight across Eurasia. In addition, the types of missions being covered by the exercises are becoming increasingly diverse. *AMAN 07* focused on multinational anti-piracy and SAR operations; the Sino-Singaporean anti-terror exercise was designed to prepare both sides for chemical and bioterrorism; and the Sino-Turkish air exercise involved air combat training between the two participating air forces. China's ambition to develop a modern military force, its desire to learn from foreign militaries, and the military's increasing confidence will ultimately provide the momentum for the PLA to test itself in a greater diversity of missions.

Frequent exercises under the SCO banner may mislead observers to conclude that a Sino-Russian or Central Asian military alliance is emerging. Although the exercises reflect the success of Sino-Russian cooperation, they lack components that are vital for sustaining a military alliance. A military alliance such as NATO concentrates on developing joint capabilities at both strategic and operational levels. These capabilities include interoperability, shared assets, information sharing, battlefield synchronisation and joint training.<sup>76</sup> None of these sophisticated capabilities, vital to the development of a military alliance, have been exhibited or tested in the SCO's exercises.

---

<sup>76</sup> Moreland and Mattox, 'Pressing Contemporary Issues', pp. 81-7.

The fact that Chinese and Russian units preferred to retain their autonomy by manoeuvring in parallel during *Peace Mission* exercises shows that neither side is prepared to agree on an integrated command structure. While exercises between China, Russia and other SCO members will continue on a regular basis, they do not lead to a military alliance framework.

From a Western perspective, the depth of China's transparency in these exercises is debatable. On the one hand, the exercises have demonstrated an unprecedented level of cooperation in a number of areas. On the other hand, it appears that the PLA has taken no major steps towards enhancing its transparency. The elementary nature of most exercises and their orientation towards MOOTW means that the participating militaries are unable to observe the true extent of the PLA's capabilities. The small scale and short duration of most exercises also prevents foreign observers from determining the precise nature of the PLA's electronic warfare, command and control, and logistics capabilities. International exercises may present foreign militaries with the opportunity to work alongside Chinese troops. But the doors leading to greater PLA transparency remain tightly shut.

## **Conclusion**

The growing number and increasing complexity of international exercises marks a unique evolutionary step for both the PLA and for Beijing in the way it approaches national security. The PLA's pursuit of international exercises is driven by multiple, overlapping factors that have prompted the China to embrace bilateral and multilateral exercises. The exercises have been employed for the purposes of fostering a regional climate of trust. While exercises alone cannot solve lingering territorial disputes or eliminate the unease expressed by some governments towards China's rising power, they have helped the PLA build bridges with other militaries. International exercises play an important role in the PLA's missions in the twenty-first century.

They demonstrate the PLA's growing interest in pursuing international collaboration against non-traditional threats. As the PLA embraces missions that require its forces to deploy regionally and globally, it is likely to participate in more exercises to test its capabilities in foreign environments and learn from experienced counterparts. Simultaneously, the PLA's participation in overseas exercises has become an invaluable means for Beijing to exert its regional and global influence. Finally, China's participation in international exercises represents an important stepping-stone in the PLA's transition into a modern fighting force. The recent developments reflect the PLA's rising confidence and China's growing assertiveness in the twenty-first century.

*Wilson Chun Hei Chau researched and completed this paper while undertaking a summer research project at the Australian National University. [wcha160@aucklanduni.ac.nz](mailto:wcha160@aucklanduni.ac.nz).*

---

---

# East Asia's Military Transformation: The Revolution in Military Affairs and its Problems

Andrew Tan

All of the United States' key allies in East Asia have felt compelled to respond to the Revolution in Military Affairs (RMA) due to the need to maintain interoperability with US forces. South Korea, Australia and Singapore have been the most enthusiastic in pursuing military transformation, although Japan and Taiwan have faced political constraints. However, the RMA in East Asia has been problematic as it has been divorced from the political and strategic contexts. There is a real need for the countries involved to carefully understand its potential and limitations, and to relate what are essentially military means to overall political objectives and strategic frameworks.

All of the United States' key allies in East Asia have felt compelled to respond to the Revolution in Military Affairs (RMA). East Asia is commonly understood to comprise the countries of Northeast Asia and Southeast Asia, but Australia has to be included in this discussion due to its geo-strategic proximity to East Asia, its role as a key US ally in the Western Pacific, and its participation in the Trilateral Security Dialogue (with Japan and the United States) which coordinates US strategy in East Asia.<sup>1</sup> South Korea, Australia and Singapore have been the most enthusiastic in pursuing military transformation, while Japan and Taiwan have faced significant political constraints. However, the RMA in East Asia has been problematic as it has been divorced from the political and strategic contexts. There is a real need for the countries involved to carefully understand its potential and limitations, and to relate what are essentially military means to overall political objectives and strategic frameworks.

The process of military transformation in East Asia has been linked to the debate over the so-called Revolution in Military Affairs (RMA) in the United States. The RMA has touted the efficacy of the integration of intelligence, reconnaissance, surveillance, communications, command and control, stealth, precision strike, and new information and systems technology to fundamentally change the way conventional war is fought.

The RMA is supposed to provide those states embarked along its trajectory the promise of conventional warfare superiority and, more dangerously, greater ease in using military force to resolve disputes since the RMA promises quick, relatively painless victory. The quick and decisive military

---

<sup>1</sup> See Andrew T. H. Tan, 'Singapore's Cooperation with the Trilateral Security Dialogue Partners in the War Against Global Terrorism', *Defence Studies*, vol. 7, no. 2 (June 2007).

outcomes achieved by the United States in both Gulf Wars against Iraq reinforced the claims of RMA proponents. East Asian states have thus been forced to consider its claims, and to respond to it. Some have adopted parts of the RMA to improve specific capabilities, such as in maritime surveillance and patrol, but others, such as China and North Korea, have explored ways to counter the conventional superiority that militaries transformed by the RMA are supposed to possess.

This article focuses on the response of key US allies in East Asia to the RMA, and argues that the RMA in East Asia has been problematic as it has been divorced from the political and strategic contexts. There is therefore a real need for the countries involved to carefully understand its potential and limitations, and to relate what are essentially military means to overall political objectives and strategic frameworks.

### **Military Transformation and the RMA**

What is interesting about East Asia is the region's evident military transformation arising from increased military expenditure and the acquisition of new and improved capabilities.<sup>2</sup> This process has been driven by a complex set of political, strategic, economic and social factors, though Barry Buzan has noted that even in the absence of other drivers, states will push to continuously modernise their armed forces. This is due to the inherent uncertainties of an anarchic international system and the concern that rivals might gain a military technological advantage.<sup>3</sup>

It is in the context of the regional arms build up and the technological imperative underlying arms modernisation that the region has been forced to respond to the US debate on the RMA, where various aspects of the RMA have officially been adopted under the Pentagon's Joint Vision 2010.<sup>4</sup> The generally accepted definition of the RMA, attributed to Andrew Marshall of the US Office of Net Assessment, is:

a major change in the nature of warfare brought about by the innovative application of new technologies which combined with dramatic changes in military doctrine and operational and organisational concepts, fundamentally alters the nature and the conduct of war.<sup>5</sup>

The RMA is also linked to the emerging concept of network-centric warfare (NCW), which:

generates increased combat power by networking sensors, decision-makers, and shooters to achieve shared awareness, increased speed of

---

<sup>2</sup> See Desmond Ball, 'Arms Modernization in Asia: An Emerging Complex Arms Race', in Andrew T. H. Tan (ed.), *The Global Arms Trade* (London: Routledge, 2010).

<sup>3</sup> Barry Buzan, *An Introduction to Strategic Studies: Military Technology and International Relations* (London: Macmillan / International Institute of Strategic Studies, 1987), p. 109.

<sup>4</sup> See Chairman of the Joint Chiefs of Staff, *Joint Vision 2010*, <<http://www.dtic.mil/jv2010/jv2010.pdf>> [Accessed 14 May 2011].

<sup>5</sup> As cited in Michael Mazaar, Jeffrey Shaffer and Benjamin Ederington, *The Military Technical Revolution: A Structural Framework* (Carlisle: US Army War College, 1993), p. 21.

command, high tempo of operations, greater lethality, increased survivability, and a degree of self-synchronisation.<sup>6</sup>

This paper is not meant to revisit the RMA debate, suffice to note that proponents of the present RMA argue that the dramatic improvement in the ability to collect, analyse and act on information has resulted in the ability to apply precise and timely military force in a decisive manner.<sup>7</sup> According to one of its proponents, Admiral William Owens, the development of new technologies in precision-strike and information gathering would ultimately lead to a "system of systems". By integrating long-range, precision-strike weapons with extensive intelligence, surveillance and reconnaissance, and vastly improved capabilities for processing information and distributing it, he asserts that the United States could detect and destroy enemy targets over large swathes of the earth's surface.<sup>8</sup>

Indeed, the key to the present RMA is the vast improvement in information and information systems technology which, it is held, has led to the achievement of real-time battlefield awareness, thereby lifting the so-called "fog of war", that is, the confusion and unpredictability, which has hitherto characterised warfare.<sup>9</sup> In turn, this has enabled complex, high-tempo precision operations to be conducted continuously under all-weather conditions and over a much wider battle-space.

Critics of the RMA however, have highlighted the growing threats posed by cruise, anti-ship and ballistic missiles, anti-satellite technologies, the vulnerabilities of information and communication systems, and the development of weapons of mass destruction, such as nuclear, chemical and biological weapons.<sup>10</sup> Indeed, long-range anti-ship cruise missiles, ballistic missiles, nuclear weapons, anti-satellite capabilities, and sea-mines and submarines to deny littoral access, are some of the key components of the evolving asymmetric strategies being developed by non-participants of the US-led RMA, such as China and North Korea.

Despite these critics, proponents hold that the current RMA underpinning the US process of military transformation amounts to a real revolution in the way wars are fought, conferring conventional military superiority to those states that successfully adopt and master it, tilting the regional balance of power. Indeed, the quick and relatively painless achievement of military objectives (until confronted by the insurgencies in Iraq and Afghanistan after 2003) by

---

<sup>6</sup> Director, Force Transformation, Office of the Secretary of Defense, *Network-Centric Warfare: Creating a Decisive Warfighting Advantage* (Washington: US Department of Defense, 2003), p. 2.

<sup>7</sup> Lawrence Freedman, *The Revolution in Strategic Affairs*, Adelphi Paper no. 318 (London: International Institute of Strategic Studies, 1998), p. 11.

<sup>8</sup> As cited in Eliot Cohen, 'Technology and Warfare', in John Baylis et al., *Strategy in the Contemporary World: An Introduction to Strategic Studies* (Oxford: Oxford University Press, 2002), p. 243.

<sup>9</sup> Michael O'Hanlon, *Technological Change and the Future of Warfare* (Washington: Brookings, 2000), p. 8.

<sup>10</sup> *Ibid.*, p. 16.

the United States in the two Gulf Wars appeared to validate the efficacy of military transformation along the lines of the RMA.

The RMA in East Asia has led to two distinct responses. Non-US allies, such as China and North Korea, have responded by developing strategies designed to counter the US-led RMA. However, the apparently swift manner in which the United States dispatched of its conventional foes has led America's allies in the region to adopt variations of the US-led RMA as part of their military transformation. These allies believe that military transformation along the lines of the RMA would also confer a military advantage to them. As close US allies, they believe that they could also ultimately count on US protection should weapons of mass destruction, for instance, be used by their adversaries. Moreover, a primary driver has been their own peculiar geostrategic circumstances, since the RMA promises to deliver conventional military superiority over potential adversaries which have much larger military forces.

However, military transformation along the lines of the US-inspired RMA is a complex affair, given the fact that not only are modern weapons systems tremendously expensive, much more is required for a true RMA to take place. As Joseph Nye and William Owens noted, the RMA also includes the development of doctrine, strategies and military organisations that can take advantage of the technological potential. This includes the need for integrated logistical capabilities, joint force doctrines, a very high-level of technical support and training, as well as integrated command, control and communications capabilities.<sup>11</sup>

Military transformation in response to the RMA has important implications for regional order and stability, as it is tied to the larger issues of how to respond to the emerging strategic rivalry between the United States and China, and the shape of the future regional order. For US regional allies, the acquisition of US-developed RMA technologies and similar defence doctrines implies a commitment to a long-term strategic relationship with the United States. Military transformation also potentially confers new capabilities to regional states, thus upsetting the regional balance of power, and heightening tensions between regional states due to the security dilemma. This, in turn, could lead to mistrust, conflict spirals and the possible outbreak of conflict over, for instance, disputed maritime territory.<sup>12</sup>

## Japan's Military Transformation

In his study on the RMA in Asia in 1997, Paul Dibb identified Japan as a "Tier 1 country" with a high capacity to carry out the RMA.<sup>13</sup> This should not

---

<sup>11</sup> See Joseph S. Nye and William A. Owens, 'America's Information Edge', *Foreign Affairs*, vol. 75, no. 2 (March-April 1996).

<sup>12</sup> For a discussion of the role of misperceptions and the security dilemma, see Robert Jervis, *Perception and Misperception in International Politics* (Princeton: Princeton University Press, 1976).

<sup>13</sup> See Paul Dibb, 'The Revolution in Military Affairs and Asian Security', *Survival*, vol. 39, no. 4 (Winter 1997-98).

be surprising on account of Japan's economic power as the world's third largest economy and the significantly high level of technology that the country possesses. However, Japan's defence forces have been subjected to various constitutional, political and normative constraints that have placed severe limits on defence planning, procurement and operational capabilities. Following the end of the Second World War, Japan adopted a peace constitution, epitomised by Article 9, promising never to go to war. This was underpinned by a pacifist post-war generation that did not want to revisit the horrors of what happened before 1945, given that Japan not only lost the war but suffered atomic attacks. Under its "Exclusively-Defence Oriented Policy", Japan's defence forces cannot be employed except in response to an external attack on Japan, and the defence capabilities that Japan would retain, and the use of these capabilities, would be kept to the minimum necessary for self-defence.<sup>14</sup> The Diet (Parliament) thus expressly forbade the acquisition of any offensive capability, such as aircraft carriers, amphibious warfare vessels, ballistic missiles and long-range bombers. In this political climate, it was not surprising that the Japan Defence Agency (JDA), established in 1954, was given cabinet status only in 2007, becoming the Ministry of Defence.<sup>15</sup>

The various constitutional and political constraints have meant that Japan's priority has been territorial defence, not forward offensive deployments or the projection of power in support of diplomatic or political objectives. Japan also has had to depend on the security alliance with the United States to protect it against external attack, and to rely on the United States to bolster regional and global security in a manner that would also benefit Japan.

Nonetheless, Japan has been forced to consider the emerging RMA in the United States, given the need to ensure continued interoperability with US forces. The increased requirement for Japan to participate in peacekeeping operations and to contribute to US-led operations, such as in Iraq, also provided impetus towards military transformation. The JDA thus carried out studies into the emerging RMA in the late 1990s and concluded that instead of seeking its full realisation, it would adopt a version that would be relevant to Japan's specific circumstances.

According to the JDA publication, *Info-RMA: Study on Info-RMA and the Future of the Self-Defense Forces*, published in 2000, there are seven principles which will guide Japan's RMA:

- information sharing through the establishment of a network;
- joint defence operations involving all arms of the military;

---

<sup>14</sup> *East Asian Strategic Review 2001* (Tokyo: National Institute of Defense Studies, 2001), p. 114.

<sup>15</sup> Elaine Lies, 'Japan's Defense Agency Upgraded to Ministry', *Reuters*, 9 January 2007, <<http://www.reuters.com/article/idUST20364020070109>> [Accessed 14 May 2011].

- increasing the speed of decision-making and manoeuvre through the development of an advanced information system;
- the increase in combat efficiency through improved battle management capability and the ability to operate precision-guided munitions; organisational flexibility;
- protection against cruise and ballistic missiles as well as better protection and redundant capabilities in information networks and sensors; and
- interoperability with US forces, involving real-time information sharing through information networks in order to ensure that the two countries can coordinate their joint responses.<sup>16</sup>

According to the report, the ultimate objective of Japan's RMA would be:

Sharing real-time information among each unit of the Ground, Maritime, and Air Self-Defense Forces based on redundant and invulnerable information networks comprised of various sensors; securing interoperability between SDF and US forces; and establishing a defense posture that could perform most efficiently with a minimum of reaction time, and could respond flexibly in accordance with rapidly changing situations.<sup>17</sup>

This demonstrates that Japan's RMA is framed within the parameters of the various existing constitutional and political constraints on the use of force as a policy instrument. One aim of the limited RMA is the strengthening of interoperability with US forces, primarily in defence of the Japan homeland. Another key priority in this transformation is the improvement of ballistic missile defence, particularly against any attack by an increasingly erratic North Korea. In addition, the RMA's promise of precision attack capabilities and battle-space awareness also fits Japan's focus on homeland defence, since it promises to minimise collateral civilian casualties.<sup>18</sup> Moreover, Japan possesses a range of Information Technology (IT) and other advanced technologies that confer upon it a huge advantage in the pursuit of the RMA.

As Sugio Takahashi succinctly concluded, copying the US roadmap is not the answer. The defence forces have to keep pace with the ongoing transformation in warfare in order to avoid becoming an outdated, legacy force, but "a partial RMA based on interoperability with the United States in logistics and BMD (ballistic missile defence) is Japan's best solution."<sup>19</sup> In

---

<sup>16</sup> *Info-RMA: Study on Info-RMA and the Future of the Self-Defense Forces*, Office of Strategic Studies, Defence Policy Division, Defence Policy Bureau, Japan Defence Agency, December 2000, <[http://www.mod.go.jp/e/publ/w\\_paper/pdf/2006/rma\\_e.pdf](http://www.mod.go.jp/e/publ/w_paper/pdf/2006/rma_e.pdf)> [Accessed 14 May 2011], pp. 7-9.

<sup>17</sup> *Ibid.*, p. 9.

<sup>18</sup> *East Asian Strategic Review 2001*, p.114.

<sup>19</sup> Sugio Takahashi, 'The Japanese Perception of the IT-RMA', in Emily O. Goldman and Thomas G. Mahnken (eds.), *The Information Revolution in Military Affairs in Asia* (New York: Palgrave Macmillan, 2004), p. 93.

this respect, Japan has focused on improved C4ISR (command, control, communications, computers, intelligence, surveillance and reconnaissance), and the selective acquisition of force-multipliers, such as navy destroyers equipped with the Aegis combat system and advanced AWAC (Airborne Warning and Control) aircraft.<sup>20</sup>

The *Mid-Term Defense Policy Program*, covering Fiscal Years 2005-2009, stated that Japan would establish:

multi-functional, flexible and effective defence forces that are highly ready, mobile, adaptable and multi-purpose, and are equipped with state-of-the-art technologies and intelligence capabilities, while maintaining the most basic capabilities to cope with large-scale invasion.<sup>21</sup>

Further, it reiterated that “the Japan-US Security Arrangements are indispensable in ensuring Japan’s security”, and that “the US military presence is critically important to peace and security in the Asia-Pacific region.”<sup>22</sup>

The *National Defense Program Guidelines for Fiscal Year 2011 and Beyond* reflected Japan’s changed strategic environment. This included China’s increasing assertiveness over the disputed Senkaku islands and in the South China Sea, as well as the erratic and aggressive behaviour of a nuclear-armed North Korea, which in 2010 sank a South Korean navy corvette and shelled an island belonging to South Korea. The Guidelines thus spoke of the increase in “grey-zone” disputes over territory and economic interests, and stated that “North Korea’s military activities constitute an immediate and grave destabilizing factor to regional security.”<sup>23</sup> It also noted China’s rapid military modernisation, and observed that:

China has been expanding and intensifying its maritime activities in the surrounding waters ... these trends, together with insufficient transparency over China’s military forces and its security policy, are of concern for the regional and global community.<sup>24</sup>

Thus, the emphasis in Japan’s military transformation would be on “enhancing (the) basis for joint operations, improving capabilities to respond to attacks on offshore islands, (and) strengthening capabilities for international peace cooperation activities.”<sup>25</sup> Similarly, the *Report of the Council on the Future of Security and Defence Capabilities in the New Era* also concluded that Japan’s future capabilities should fulfil three roles: respond to diverse contingencies (including ballistic and cruise missile

---

<sup>20</sup> Masahiro Matsumura, ‘Quiet Changes in Japan’s Defense’, *Japan Times*, 22 July 2008.

<sup>21</sup> *Mid-Term Defense Program (FY2005-2009)*, Defense of Japan 2008, <[http://www.mod.go.jp/e/d\\_act/d\\_policy/pdf/mid-term\\_defense\\_program.pdf](http://www.mod.go.jp/e/d_act/d_policy/pdf/mid-term_defense_program.pdf)> [Accessed 14 May 2011], p. 1.

<sup>22</sup> *Ibid.*

<sup>23</sup> ‘National Defense Program Guidelines for Fiscal Year 2011 and Beyond’, Ministry of Defense, Japan, 17 December 2010, <[http://www.mod.go.jp/e/d\\_act/d\\_policy/pdf/guidelinesFY2011.pdf](http://www.mod.go.jp/e/d_act/d_policy/pdf/guidelinesFY2011.pdf)> [Accessed 14 May 2011], pp. 2-4.

<sup>24</sup> *Ibid.*, p. 4.

<sup>25</sup> *Ibid.*, p. 5.

attacks, and special operations forces, terrorist and cyber attacks), maintaining stability in the region surrounding Japan, and improving the global security environment.<sup>26</sup>

Japan currently deploys a comparatively small military force relative to the size of its population and economy, consisting of 248,000 personnel.<sup>27</sup> The imperative towards military transformation in order to deliver greater firepower relative to the comparatively small size of its armed forces is therefore clear. Japan has decided to adopt niche RMA capabilities that would contribute to its own limited military transformation. Thus, Japan plans to upgrade its substantial fleet of 202 F15J Eagle air superiority combat aircraft to counter China's expanded air defence and cruise-missile capabilities.<sup>28</sup> The air force also operates seventeen Airborne Early Warning (AEW) aircraft, consisting of a mix of Boeing E-767 and E2C Hawkeye, aimed at detecting and countering any infringement of Japan's air and sea-space.<sup>29</sup>

As a maritime state, Japan has also maintained significant and capable naval forces. Its navy currently deploys eighteen conventional attack submarines (Harushio, Oyushio and the new Soryu class), thirty-two destroyers and sixteen frigates. Six of the destroyers are equipped with the Aegis combat systems, which are used for air and cruise missile defense.<sup>30</sup> Japan has also begun procuring Hyuga-class helicopter carriers, the first of which was commissioned in 2009, with the second to arrive in 2011. At 13,500 tons, they can deploy eleven heavy-lift CH-47 Chinook helicopters and are the largest surface warships procured by Japan since the end of the Second World War. They can be converted into light aircraft carriers, in the future operating V/STOL (Vertical/Short Take-off and Landing) aircraft such as the US-developed Joint Strike Fighter.<sup>31</sup> These ships, in tandem with its sizeable navy and in the context of joint operations with its key ally, the United States, provide Japan with a long-range deployment capability. The navy has also enhanced its anti-submarine warfare capabilities, an important priority in view of China's expansion of its submarine fleet.

Despite these impressive capabilities, the fixation with technological solutions to improve tactical capabilities, and the legalistic nature of the domestic debate over Japan's defence suggests a lack of strategic clarity and thinking. In contrast, much smaller states such as Sweden and Singapore have been able to formulate well-articulated RMA doctrines, albeit modified to fit the small-state context, to guide their aspirations for revolutionary military transformation so as to be better prepared for future

---

<sup>26</sup> As cited in *Defence of Japan 2010*, Ministry of Defense, pp. 166-7, <[http://www.mod.go.jp/e/publ/w\\_paper/2010.html](http://www.mod.go.jp/e/publ/w_paper/2010.html)> [Accessed 14 May 2011].

<sup>27</sup> *The Military Balance 2011* (London: International Institute of Strategic Studies, 2011), p. 245.

<sup>28</sup> *The Military Balance 2010* (London: International Institute of Strategic Studies, 2010), p. 382; *The Military Balance 2011*, p. 247.

<sup>29</sup> *The Military Balance 2011*, p. 247.

<sup>30</sup> *Ibid.*, p. 246.

<sup>31</sup> Hyuga Class Helicopter Carrier, *Military-Today*, <[http://www.military-today.com/navy/hyuga\\_class.htm](http://www.military-today.com/navy/hyuga_class.htm)> [Accessed 28 January 2011].

warfare. In Japan, the absence of a vigorous debate over the RMA and the political uses for which it could be employed, and the undue constraints imposed by the post-1945 political context have led to the lack of long-term vision and strategic clarity regarding the future development of its armed forces. Moreover, the catastrophic impacts of the earthquake and tsunami in Japan in 2011 are also likely to set back Japan's military transformation, as the country focuses on the massive task of reconstruction.

## **South Korea's Response to the RMA**

In contrast to Japan, the Republic of Korea (ROK, or South Korea) has enthusiastically embraced the RMA and the whole notion of military transformation with clearly articulated goals and strategies. This process of military transformation has been primarily driven by the existential threat from North Korea, which has consistently maintained larger armed forces than the ROK, engaged in numerous armed confrontations with it, and has also threatened on a number of occasions to attack the ROK. In this respect, the rapid industrialisation of South Korea in recent decades, accompanied by an IT revolution, has underpinned defence digitisation and the unfolding RMA in its armed forces. In turn, this has led to changes in weapons systems, C4ISR, organisational structures and military doctrine. Indeed, from the early 1990s, the ROK's armed forces has pursued the objective of building a network-centric warfare capability through the establishment of a Common Operating Picture, which would enable integrated operations.<sup>32</sup>

To implement military transformation along the lines of the RMA, the government established a National Defense Reform Committee (NDRC) in 1998. The NDRC decided that the long-term objective should be the building of a technologically advanced "elite" armed forces, which would come about through the reduction of the armed forces from its current size of around 690,000 to between 200,000 and 300,000 personnel at some future stage.<sup>33</sup> An NDRC RMA Group was formed in 1999, and the Defense White Paper 2000 championed the objective of network-centric warfare through defence digitisation, which it defined as:

the process of transforming the overall defense structure into the information and knowledge-based network, using the latest technology consisting of computers and high-tech communications equipment.<sup>34</sup>

The goal of which is to support command and control, and bring about swift victory by providing real-time battlefield intelligence.

---

<sup>32</sup> Conference Report, Bytes and Bullets: Impact of IT Revolution on War and Peace in Korea, Asia-Pacific Center for Security Studies, Hawaii, 8-10 October 2002, pp. 2, 6.

<sup>33</sup> 'Overview—South Korean Military Doctrine', *Globalsecurity.org*, <<http://www.globalsecurity.org/military/world/rok/doctrine.htm>> [Accessed 14 May 2011].

<sup>34</sup> As cited in Jin Ki Hong, 'Directions for Defense Digitization of the ROK Armed Forces in the 21<sup>st</sup> Century', in *Bytes and Bullets in Korea* (Hawaii: Asia-Pacific Center for Security Studies, 2002), p. 143.

This was followed by the release in 2005 of the Defense Reform Plan 2020, under which the ROK aimed to have a self-reliant and technologically-advanced military capability, as well as an advanced defence management system. The size of the armed forces would also be gradually reduced to around 500,000 by 2020, with reserve forces reduced from 3 million to 1.5 million. This plan was revised in 2008 following the Global Financial Crisis (GFC), with the troop reduction to be delayed until weapons systems modernisations and military restructuring had taken place.<sup>35</sup> The ultimate objective of the Defense Reform Plan 2020 was to meet the demands of future warfare as well as to ensure the ability to adjust to any change in the geo-political environments, which could occur, for instance, if the United States withdrew its forces from South Korea. Indeed, the US military presence and role in South Korea has been in the process of change, with greater roles assumed by South Korea in its defence.<sup>36</sup> In 2004, an agreement was reached on the return of a number of US bases to the ROK and the eventual relocation of all US forces to the south of the Han River by 2016. In addition, the number of US troops has been capped at 28,500, and wartime operational control will be transferred from the United States to the ROK in 2015, although US troops will remain in the country.<sup>37</sup> In addition, the armed forces might need to be called upon to defend sea-lines of communications, to pacify a reunified Korea, or to contribute to international peacekeeping operations.

The seriousness with which South Korea has embarked upon this process is demonstrated by the release of the ROK Army Vision 2010, the ROK Navy Vision 2020 and the ROK Air Force Vision 2025, which is to guide the military transformation of all three services.<sup>38</sup> Priority has been placed on the digitisation of the armed forces, aimed at gaining real-time battle-space awareness, as well as digital command and control, which would enable precision, high-tempo strikes.

A 2006 RAND study projected that the acquisition of air superiority combat aircraft, Airborne Warning and Control (AWAC) aircraft and air tankers under South Korea's defence reform would help the ROK's air force transition from a fighter force meant to support the United States to a more balanced force that would have a greater range of independent capabilities. Through the acquisition of major surface warfare vessels, including ships equipped with the Aegis combat systems that could counter theatre ballistic missiles and aircraft, the navy would transition from a coastal defence force to a blue-water navy. The army would suffer the greatest cut in manpower, reduced from 47 to 24 divisions. But it would be equipped with far more capable

---

<sup>35</sup> 'Overview—South Korean Military Doctrine', *Globalsecurity.org*.

<sup>36</sup> *Participatory Government Defense Policy 2003* (Ministry of National Defense, Republic of Korea, 2003), p. 84.

<sup>37</sup> Background Note: South Korea, US Department of State, <<http://www.state.gov/r/pa/ei/bgn/2800.htm>> [Accessed 14 April 2011].

<sup>38</sup> Conference Report, Bytes and Bullets: Impact of IT Revolution on War and Peace in Korea, p. 8.

weapons systems such as the K1A1 Main Battle Tank, multiple-rocket launchers and UAVs (Unmanned Aerial Vehicles).<sup>39</sup>

Crucial to the transformation of the ROK forces is the massive investment in C4ISR and other battle-management assets essential for network-centric warfare. Significantly, the Defense Reform Plan 2020 also mandated the procurement of theatre operational command facilities, military communication satellites, tactical information communication networks, the Joint Tactical Data Link System, and the Korea Joint Command and Control System. As a 2008 study of the RMA's impact on defence industry in South Korea concluded, the "RMA in South Korea is a relatively recent phenomenon, deeply influenced by the diffusion of the American RMA concept and practice", although this process has been limited compared to the United States.<sup>40</sup>

The process of military transformation suffered a setback in 2010 with budget cuts affecting the acquisition of mine-sweeping helicopters, the XK-2 Next-Generation Main Battle Tank, and a scaling back of efforts to indigenously develop the next-generation KF-X combat fighter, the KAH attack helicopter and a military satellite communications system. Despite the promise of military transformation substituting quality for quantity, the ROK continues to deploy substantial legacy forces in 2010, with 655,000 military personnel as well as large numbers of major weapons systems, such as 2514 Main Battle Tanks (including 1534 of its locally-built K1 Main Battle Tank), 2880 armoured personnel carriers (including 1700 of its locally-built Korean Infantry Fighting Vehicles) and over 11,000 pieces of artillery (including multiple-rocket launchers).<sup>41</sup> Maintaining such a large legacy force requires substantial manpower and other resources, jeopardising the objective of eventually reducing the size of the armed forces to less than half of what it is today, which would make possible the abolition of universal male conscription.

In order to counter North Korea's ballistic missile capabilities, the ROK has also procured 48 Patriot Surface-to-Air Missile (SAM) batteries which are capable of destroying enemy aircraft and ballistic missiles.<sup>42</sup> To make up for its smaller ground forces compared to North Korea's, the ROK has made efforts to ensure air superiority and the ability to conduct airborne surveillance and reconnaissance, deploying 59 new US-made F-15 Eagle air superiority combat aircraft and UAVs, with 4 Boeing 737-700 AWAC aircraft on order.<sup>43</sup>

---

<sup>39</sup> Bruce W. Bennett, *A Brief Analysis of the Republic of Korea's Defense Reform Plan* (Santa Monica: RAND, 2006), pp. 4-7.

<sup>40</sup> Chung-in Moon and Jin-Young Lee, 'The Revolution in Military Affairs and the Defence Industry in South Korea', *Security Challenges*, vol. 4, no. 4 (Summer 2008), p. 123,

<sup>41</sup> *The Military Balance 2011*, pp. 252-3.

<sup>42</sup> *Ibid.*, p. 252.

<sup>43</sup> *Ibid.*, p. 253; Gary Parsons, 'Boeing Delivers AWACs to South Korea', *key.Aero*, 9 February 2010, <[http://www.key.aero/view\\_news.asp?ID=1551&thisSection=military](http://www.key.aero/view_news.asp?ID=1551&thisSection=military)> [Accessed 14 May 2011].

The ROK has also paid attention to securing the country's maritime access, deploying 23 submarines, including new submarines fitted with long-endurance Air-Independent Propulsion (AIP) systems, as well as 47 destroyers, frigates and corvettes, including a new class of destroyers equipped with the Aegis combat system capable of air and cruise missile defence. Significantly, the navy has also acquired an amphibious warfare vessel, the Dokdo, which can transport some 700 troops.<sup>44</sup> The Dokdo, however, is also capable of being adapted into a light aircraft carrier to deploy V/STOL aircraft such as the newly developed Joint Strike Fighter (JSF) combat aircraft at some future stage. The navy will acquire three of these very capable vessels.<sup>45</sup>

South Korea's RMA has been driven by the existential threat from North Korea and the uncertain regional security environment. However, despite its enthusiastic embrace of the RMA, there has been an absence of thinking on countering weapons of mass destruction, or dealing with asymmetric warfare. In 2010, the sinking of a South Korean corvette, allegedly as a result of a midget submarine attack from North Korea, and the North's open provocation in shelling an island in the South, led to South Korean casualties.<sup>46</sup> More alarming, the incidents demonstrated not just the failure of deterrence but impotence on the part of the South despite its much-vaunted pursuit of the RMA. All-out conflict with the North would expose the South to weapons of mass destruction, including the possible use of nuclear weapons by the North, the probable destruction of the capital, Seoul, from massive artillery attack from the North, and extensive attacks by the North's huge special forces. The only response the South could muster to North Korea's provocations was to conduct joint exercises with the United States to bolster deterrence, which only served to demonstrate the centrality of the US security alliance to South Korea's security.<sup>47</sup>

## Australia and the RMA

Australia has embraced military transformation based on the RMA as its vision for the future. The government's enthusiasm was demonstrated by the publication of Australia's Strategic Policy 1997, which explicitly embraced the RMA. According to the document:

not only will new technology provide military personnel with an expansive breadth and depth of information about the battlefield, but sophisticated

---

<sup>44</sup> *The Military Balance 2011*, pp. 252-3.

<sup>45</sup> 'Dokdo Class Amphibious Assault Ship', *Military-Today.com*, <[http://www.military-today.com/navy/dokdo\\_class.htm](http://www.military-today.com/navy/dokdo_class.htm)> [Accessed 14 May 2011].

<sup>46</sup> Barbara Starr, 'US Official: N. Korea Torpedo Likely Sunk S. Korean Warship', *CNN.com*, 26 April 2010, <<http://news.blogs.cnn.com/2010/04/26/u-s-official-n-korea-torpedo-likely-sunk-s-korean-warship/>> [Accessed 15 May 2011]. See also Jack Kim and Lee Jae-Won, 'North Korea Shells South in Fiercest Attack in Decades', *Reuters*, 23 November 2010, <<http://www.reuters.com/article/2010/11/23/us-korea-north-artillery-idUSTRE6AM0YS20101123>> [Accessed 15 May 2011].

<sup>47</sup> 'US Sends Aircraft Carrier for Joint Exercises with South Korea After Deadly Attack', *Foxnews.com*, 24 November 2010, <<http://www.foxnews.com/politics/2010/11/23/obama-s-korea-stage-military-exercises/#>>

strike weapons will give advanced forces the capability to destroy targets with an unparalleled degree of precision and effectiveness ... our ability to use and manage information technology will be one of the areas where we can maintain and aspire to continuing excellence.<sup>48</sup>

The document also spoke of the need for a 'Knowledge Edge', which had three advantages. Firstly, making transparent the huge territory and maritime approaches to Australia would confer great strategic depth. Secondly, the small size of Australia's defence forces relative to the size of the area they must defend means that information technology would be vital in command, positioning and targeting so that these forces could be used to maximum effect. Finally, Australia possesses a strong national base in information technology, including access to the most advanced applications of IT to warfare through its alliance relationship with the United States.<sup>49</sup> The document also envisioned the enhancement to surveillance of Australia's maritime approaches through an integrated system that could provide real-time coverage of air and sea approaches. This would entail the networking of space-based surveillance, long-range UAVs, over-the-horizon radar (OTHR) and AWACs to provide real-time battle-space awareness.<sup>50</sup>

This ambitious vision was then followed by the establishment of an Office of the Revolution in Military Affairs in 1999.<sup>51</sup> This laid the basis for the defence review in 2000, which noted that the information technology-based RMA would be vital to Australia given the dramatic arms modernisation throughout the Asia-Pacific, which meant that Australia's military edge was being eroded.<sup>52</sup> In addition, the bloc obsolescence of major weapons systems in the Australian armed forces meant that information capabilities would be potentially cost-effective as well as crucial in maintaining Australia's military edge.<sup>53</sup>

In 2004, the Office of the Revolution in Military Affairs was replaced by the Network Centric Warfare Program Office. This was followed by the publication of the *NCW Roadmap, 2007*, which asserted that:

success in an NCW context is achieved by effectively linking Command and Control, Sensor and Engagement systems via a network, to facilitate situational awareness, collaboration and offensive potential.<sup>54</sup>

This document was no illusionary wish-list, as it built upon indigenous Australian efforts dating from the early 1990s, such as the Jindalee

---

<sup>48</sup> *Australia's Strategic Policy* (Canberra: Department of Defence, 1997), <<http://www.minister.defence.gov.au/sr97/SR97.pdf>> [Accessed 14 May 2011], p. 55.

<sup>49</sup> *Ibid.*, pp. 56-7.

<sup>50</sup> *Ibid.*, p. 60.

<sup>51</sup> Minister for Defence, *Achievements Under the Howard Government*, Department of Defence, 9 May 2000, <<http://www.minister.defence.gov.au/Mooretpl.cfm?CurrentId=237>> [Accessed 15 May 2011].

<sup>52</sup> Department of Defence, *Defence 2000: Our Future Defence Force* (Canberra: Commonwealth of Australia, 2000), pp. 24-6.

<sup>53</sup> *Ibid.*, pp. 89-97.

<sup>54</sup> Department of Defence, *NCW Roadmap, 2007* (Canberra: Commonwealth of Australia, 2007), p. 5.

Operational Radar Network (JORN), the High Frequency Modernisation Project (HFMOD), the Military Satellite Communications project, the Australian Tactical Automated Command and Control System, and the Battlefield Command and Support System.<sup>55</sup> In addition, Australia plans to network the entire naval fleet and to carry out networked enabled operations in the aerospace domain by 2014. This would be achieved by acquiring air warfare destroyers, AWACs and UAVs, and upgrading P3C Orion maritime patrol aircraft, and upgrading the Jindalee radar system.<sup>56</sup>

In 2009, the Rudd government published a Defence White Paper which advocated significant improvements in defence capabilities over the next two decades on grounds that the strategic outlook is uncertain, and that tensions between major powers could lead to confrontation. Significantly, the document cited China and stated that:

the pace, scope and structure of China's military modernisation have the potential to give its neighbours cause for concern if not carefully explained ... if it does not, there is likely to be a question in the minds of regional states about the long-term strategic purpose of its force development plans, particularly as the modernisation appears potentially to be beyond the scope of what would be required for a conflict over Taiwan.<sup>57</sup>

The document also spoke of the need to develop information capabilities. Noting the need to integrate information from its various information and surveillance assets, it pointed out the need, as a matter of priority, to develop a defence-wide information architecture, as well as to develop intelligence, surveillance and reconnaissance linkages with its principal ally, the United States.<sup>58</sup> More significantly, it asserted that Australia needed to not just defend itself any direct attack, but must also play a role in securing its immediate neighbourhood, as well as the wider Asia-Pacific region, particularly Southeast Asia.<sup>59</sup> To enable it to do this properly, Australia would acquire twelve new submarines, land-attack cruise missiles, eight new frigates, a new class of twenty offshore combat vessels, a large strategic amphibious vessel, new long-range maritime patrol aircraft, up to 100 Joint Strike Fighter combat aircraft, new armoured fighting vehicles, tactical UAVs, HALE (high altitude, long-endurance) UAVs, CH47 heavy-lift helicopters, improvements in ISR (intelligence, surveillance and reconnaissance) capabilities, and the establishment of a cyber security operations centre.<sup>60</sup>

For Australia, the imperative of military transformation is clear, in view of the small size of the armed forces. In 2010, Australia's defence forces consisted of just under 57,000 personnel.<sup>61</sup> However, a major problem with pursuing

---

<sup>55</sup> Peter Hall and Robert Wylie, 'The Revolution in Military Affairs and Australia's Defence Industry Base, 1996-2006', *Security Challenges*, vol. 4, no. 4 (Summer 2008), p. 65.

<sup>56</sup> *Ibid.*, pp. 66-7.

<sup>57</sup> Department of Defence, *Defending Australia in the Asia-Pacific Century: Force 2030* (Canberra, Commonwealth of Australia, 2009), p. 34.

<sup>58</sup> *Ibid.*, pp. 81-2.

<sup>59</sup> *Ibid.*, pp. 41-3.

<sup>60</sup> *Ibid.*, pp. 70-86.

<sup>61</sup> *The Military Balance 2011*, p. 223.

the RMA is the huge cost involved, which is exacerbated by the bloc obsolescence of many weapons systems in all three services. For instance, while the army has acquired fifty-nine new M1A1 Abrams MBTs, it continues to deploy around 600 of the venerable M-113A1 armoured personnel carriers.<sup>62</sup> In 2010, the air force deployed seventy-one F-18A/B Hornet combat aircraft and twenty-four F-18F Super Hornet combat aircraft, with the F-111 bomber finally retired after thirty-seven years of service.<sup>63</sup> The bloc obsolescence of the F-111 and F-18A/B combat aircraft, however, requires the very expensive acquisition of a replacement fleet of combat aircraft. The acquisition of six B-737 Wedgetail AWAC aircraft is an integral component of military transformation, but this has been at a substantial cost of A\$3.45 billion.<sup>64</sup> Given the costs involved, it is therefore unclear whether the ambitious procurement plan contained in the Defence White Paper of 2009 could be funded.

Finally, another problem is the political implication of the RMA—by improving interoperability with the United States through the acquisition of US-made weapons systems, Australia is in effect affirming its strategic relationship with the United States. This exposes Australia to some difficult choices should strategic rivalry between China and the United States result in open conflict. After all, Australia's national interests are not always congruent with the United States. In fact, China is vital to Australia's economic future due to its voracious demand for Australian commodities and energy. In addition, both Australia and China have not been rivals and are not competing for influence in East Asia, and Australia does not fear an external attack from China on account of its huge maritime buffer.<sup>65</sup>

## **Taiwan and the RMA**

Taiwan is a natural candidate for the RMA, given its strong IT industry and an advanced IT infrastructure. Although the armed forces have embraced the RMA concept as the basis for its own military transformation, significant political constraints to implementation remain. Taiwan's international political isolation, difficulty in accessing the latest military technology in the global arms market due to pressure from China, and the lack of a domestic political consensus on defence have been major barriers to an RMA in Taiwan.

Taiwan's RMA is largely predicated on Chinese threat scenarios given that China is its main security referent on account of its desire to reunify Taiwan with the mainland.<sup>66</sup> China's military modernisation in recent years has focused on building capabilities to coerce Taiwan into submission if

---

<sup>62</sup> *Ibid.*, p. 224.

<sup>63</sup> *Ibid.*, p. 225.

<sup>64</sup> 'RAAF's Wedgetail Future on the Line', *The Age*, 16 April 2009.

<sup>65</sup> Jonathan Holslag, *Trapped Giant: China's Military Rise* (London: International Institute for Strategic Studies, 2010), p.96.

<sup>66</sup> Richard A. Bitzinger, 'Come the Revolution: Transforming the Asia-Pacific's Militaries', *Naval War College Review*, vol. 58, no. 4 (Autumn 2005), p. 48.

necessary.<sup>67</sup> This could happen if, for instance, Taiwan pushed for open independence. China's response could take the form of using its considerable cruise and ballistic missile forces to render inoperable Taiwan's air bases and runways, then establishing air superiority over the Taiwan Straits, enabling it to continue military operations against Taiwan with relative impunity.<sup>68</sup> In addition, China's military is also building the capacity to prevent US and allied forces from intervening effectively in any Taiwan Strait crisis. China's anti-access strategy is focused on sea-denial capabilities to prevent the effective deployment of US naval and other forces in the maritime approaches to China in the Yellow, East China and South China Seas.

According to one study:

China is on the verge of achieving several paradigm-shifting breakthroughs: anti-ship ballistic missiles, or ASBMs; streaming cruise missile attacks; precise and reliable indigenous satellite navigation, high quality real time satellite imagery, and target-locating data; and anti-satellite (ASAT) and other space-related weapons, which might be used to disrupt U.S. access to information, command and control, and ability to remotely control weapons.<sup>69</sup>

In particular, China is building an anti-ship ballistic missile specifically designed to target US aircraft carriers. These would dramatically improve China's anti-access capabilities by enabling it to threaten surface and air assets that enter China's contested maritime periphery in the event of conflict.<sup>70</sup>

Taiwan's hitherto defensive, land-centric strategy of defending the island against an attack or invasion by China began to change with the interest of the Democratic Progressive Party (DPP) in future warfare. The DPP's Defence White Paper of 1999 advocated that Taiwan should develop C4ISR capabilities to achieve information superiority over the Taiwan Straits, and asserted that the navy and air force should receive priority in this transformation.<sup>71</sup>

Thus, when President Chen Shui-bian of the DPP came to power in 2000 Taiwan's military strategy was adjusted significantly. The Defence White Paper of the same year declared that Taiwan would adopt the RMA. The document also recommended to build a defence information infrastructure, a

---

<sup>67</sup> Dan Blumenthal, 'Sino-US Competition and US Security: How Do We Assess the Military Balance?', *NBR Analysis*, December 2010, National Bureau of Asian Research, p. 17.

<sup>68</sup> See David A. Shlapak et al., *A Question of Balance: Political Context and Military Aspects of the China-Taiwan Dispute* (Washington: RAND, 2009).

<sup>69</sup> Andrew S. Erickson, 'China's Evolving Anti-Access Approach: Where's the Nearest (US) Carrier?', *China Brief*, vol. 10, issue 18, 10 September 2010, <[http://www.jamestown.org/single/?no\\_cache=1&tx\\_ttnews%5Btt\\_news%5D=36810](http://www.jamestown.org/single/?no_cache=1&tx_ttnews%5Btt_news%5D=36810)> [Accessed 15 May 2011].

<sup>70</sup> 'China Developing Anti-Ship Ballistic Missiles', *Defense News*, 14 January 2008, <<http://www.defensenews.com/story.php?i=3307277>> [Accessed 14 May 2011].

<sup>71</sup> James Mulvenon, 'Taiwan and the RMA', in Emily O. Goldman and Thomas G. Mahnken (eds.), *The Information Revolution in Military Affairs in Asia* (New York: Palgrave Macmillan, 2004), p. 147.

C4ISR infrastructure, and to develop offensive Information Warfare (IW) capabilities. The priorities for Taiwan's military research and development would be on electronic battle, air and sea superiority, and anti-landing capabilities.<sup>72</sup>

The DPP promoted a strategy based on "active countermeasures", in effect, a strategy of offensive and pre-emptive offshore military operations. Proponents of this strategy argued that territorial defence would not be suitable as it would destroy Taiwan's urban infrastructure and cities, and would cause enormous civilian casualties. Taiwan should therefore conduct offensive operations to disrupt the enemy's amphibious forces, instead of waiting for them to land and then fighting them on Taiwanese soil. Taiwan should also attack the adversary's airfields, radar sites and missile sites.<sup>73</sup> The key characteristics of Taiwan's RMA would be the improvement in C4ISR and the restructuring of the armed forces into a compact, hi-tech force. The latter would entail the reduction in the size of the armed forces, eventually to become an all-volunteer force, and the acquisition of new weapons systems.

Chen Shui-bian's electoral victory in Taiwan coincided with the election of George W. Bush as President of the United States. Although Bush continued to adhere to the 'One China' policy, his administration authorised a series of arms sales that would help improve Taiwan's ability to defend itself. US arms sales have included four reconditioned Kidd-class destroyers and numerous types of tactical missiles, such as Harpoon anti-ship missiles; AIM120, AMRAAM and Sidewinder air-to-air missiles; Maverick air-to-ground missiles; and Patriot anti-aircraft/ anti-ballistic missiles. The United States also sold six E2C AEW aircraft to Taiwan to improve its early warning capabilities.<sup>74</sup>

Taiwan also launched a US\$2.3 billion program in 2003 to improve its C4ISR capabilities.<sup>75</sup> Taiwan's drive under the DPP to build an offensive RMA capability was supported by its world-class IT industry and an impressive indigenous defence industry which has produced a number of weapons systems which have made Taiwan more self-reliant. These include Hsuing-feng cruise missiles, Tien-kung (Skybow) anti-aircraft missiles, Tien-chen (Skysword) air-to-air missiles, the Ching Kuo combat aircraft, the Tzu-Chung jet trainer, multiple rocket launchers and other weapons systems.<sup>76</sup>

---

<sup>72</sup> Ibid., pp. 148, 151.

<sup>73</sup> York W. Chen, 'The Shifting Balance of Air Superiority at the Taiwan Strait and its Implications on Taiwan's Defense Planning', in Martin Edmonds and Michael Tsai, *Taiwan's Security and Air Power: Taiwan's Defense Against the Air Threat from Mainland China* (London: Routledge, 2004).

<sup>74</sup> *The Military Balance 2010*, pp. 427-9.

<sup>75</sup> Christopher Griffin, 'Boom or Bust: The Strengths and Weaknesses of Taiwan's Defense Strategy Emerge', *Armed Forces Journal*, January 2008.

<<http://www.armedforcesjournal.com/2008/01/3106365>> [Accessed 15 May 2011].

<sup>76</sup> *The Military Balance 2010*, pp. 427-9.

However, Taiwan faces serious obstacles to its military transformation. Taiwan's defence industry cannot produce the full suite of weapons and electronic systems required. Taiwan therefore needs access to military technologies. Yet, because of its international political isolation it heavily depends on the United States both in terms of its indigenous production and its off-the-shelf acquisition. Arms purchases from the United States however, are hostage to political factors such as China's vociferous opposition, the reluctance of the United States to sell weapons and technology that could be used for offensive purposes and thus raise tensions in the Taiwan Straits, and the opposition of the other major political party in Taiwan, the Kuomintang (KMT). Indeed, it was the KMT's control of the Legislative Yuan or parliament during the presidency of Chen Shui-bian from 2000 to 2008 that stymied the attempt to purchase weapons systems such as F16C/D combat aircraft, conventional submarines and P3C anti-submarine warfare aircraft which would have supported the offensive RMA strategy pursued by the DPP. The KMT politicised the issue and prevented crucial purchases of key weapons systems under the special budget proposed by the DPP, except for the obviously defensive PAC3 Patriot missile systems needed to counter China's ballistic and cruise missile capabilities.<sup>77</sup>

Another major problem has been the desire to reduce and eventually phase out the unpopular universal male conscription of 2-3 years, a promise made by Ma Ying-jeou of the KMT who won the presidential elections in 2008. However, Taiwan's defence capabilities can only be maintained if this is offset by technological improvements. An analysis of Taiwan's capabilities in 2010 does not provide confidence as to Taiwan's ability to thwart an offensive by China. Its armed forces consist of 290,000 active troops (including conscripts), with its land forces deploying just over 1800 ageing tanks (such as the M60A3) and around 1200 ageing armoured personnel carriers (mostly M-113). The navy has four ageing Kidd-class destroyers, and twenty-two frigates, four outdated submarines, and outdated Grumman S-2 Tracker anti-submarine warfare aircraft. The air force has 477 combat aircraft consisting of outdated Mirage 2000, F5E Tiger and its indigenously-developed F16A/B variant, the Ching Kuo.<sup>78</sup>

This compares unfavourably with China's increasingly modern armed forces, including considerable cruise and ballistic missile capabilities, some seventy-eight destroyers and frigates in its navy, seventy-one submarines (including twelve Russian Kilo-class), eighty-seven landing ships (including a Landing Platform Dock), and 1687 combat aircraft, including modern J10 (a Chinese copy of the aborted Israeli Lavi fighter), the J11 (a Chinese copy of the Su-27 air superiority combat aircraft) and the modern Russian Su30MKK combat aircraft.<sup>79</sup> In 2011, China also started test flights of its J20 stealth

---

<sup>77</sup> Griffin, 'Boom or Bust'.

<sup>78</sup> *The Military Balance 2011*, pp. 272-4.

<sup>79</sup> *Ibid.*, pp. 230-4.

fighter.<sup>80</sup> In tandem with its emergence as a global power, China has also declared its intention to build aircraft carriers.<sup>81</sup>

There is thus growing concern in the United States that the balance of military power in the Taiwan Straits is changing. This is due to the stalled defence reform process in Taiwan as a result of the political infighting, as well as the startling complacency regarding China's growing threat to Taiwan which appears to exist amongst many in the elite. This development would have the effect of upsetting the status quo and potentially encouraging a rising and increasingly assertive China to pursue more robust and coercive policies towards Taiwan in the future. This would raise regional tensions and posing serious strategic choices for the United States and its allies and partners in East Asia, namely, Japan, South Korea, Australia and Singapore, should conflict break out.

## **Singapore and the RMA**

Singapore is well-placed to exploit the RMA and to undertake military transformation given its sustained economic growth, well-educated workforce, excellent education system, robust IT industry, relatively sophisticated defence industry, and access to Western military technology through its web of security relationships with the United States, Great Britain, Australia, Israel and Sweden. Key factors which have provided the impetus towards military transformation are the city-state's small geographic and population size, lack of strategic depth, heavy dependence on seaborne trade, and external reliance on everything from markets to food, water and energy. They have led to a strong sense of vulnerability, which has been exacerbated by the sometimes tense relationship with its much larger Muslim neighbours, namely, Malaysia and Indonesia.

Singapore thus closely followed the process of military transformation centred on the RMA in the United States. The government embraced the RMA as it promised to help it overcome its strategic weaknesses. In 2000, the Ministry of Defence publication *Defending Singapore in the Twenty-First Century* lauded the RMA and announced the intention to exploit the IT-led RMA to achieve battlefield superiority.<sup>82</sup> In 2003, the armed forces established a Future Systems Directorate and a Center for Military Experimentation to guide the organisational and doctrinal developments required for the RMA.

Singapore also developed the doctrine of Integrated Knowledge-based Command and Control (IKC2). The objective of IKC2 is the superior collection and organisation of knowledge that can provide dominant situation

---

<sup>80</sup> Bradley Perrett, 'Chinese J-20 Logs First Flight', *Aviation Week*, 11 January 2011, <[http://www.aviationweek.com/aw/generic/story\\_channel.jsp?channel=defense&id=news/awx/2011/01/11/awx\\_01\\_11\\_2011\\_p0-281508.xml](http://www.aviationweek.com/aw/generic/story_channel.jsp?channel=defense&id=news/awx/2011/01/11/awx_01_11_2011_p0-281508.xml)> [Accessed 15 May 2011].

<sup>81</sup> 'China Reveals Aircraft Carrier Plans', *FT.com*, 17 December 2010, <<http://www.ft.com/cms/s/0/fa7f5e6a-09cc-11e0-8b29-00144feabdc0.html#axzz1CIE8GcZb>> [Accessed 15 May 2011].

<sup>82</sup> *Defending Singapore in the 21<sup>st</sup> Century* (Singapore: Ministry of Defence, 2000), p.10.

awareness and achieve more effective command and control of forces as well as the precise application of force.<sup>83</sup> The Singapore Armed Forces (SAF) thus understands that the RMA requires new weapons and information systems, together with doctrinal and organisational developments, to achieve the desired force multiplier effect.

However, it was recognised that Singapore needed an armed forces that could do more than just defend the country against external attack. In addition, the emergence of non-traditional threats such as terrorism, natural disasters and complex emergencies required a greater range of capabilities. Thus, Singapore aims to develop a 'Third Generation SAF' which "will possess the capabilities to fight decisively in war and respond flexibly in peacetime for counter-terrorism, peacekeeping and humanitarian aid."<sup>84</sup> The new armed forces would also be technologically-advanced and based on state-of-the-art technology in the areas of precision strike, advanced networks and unmanned systems.<sup>85</sup> The key to the 'Third Generation SAF' is the networking of sensors and firepower across all military branches.<sup>86</sup>

Even as Singapore embraced the RMA, however, potential pitfalls have been recognised. As a senior civil servant warned that:

the SAF must refrain from jumping blindly on the RMA bandwagon ... the SAF must be conscious of its security environment, keeping an eye on trends and regularly reviewing its position.<sup>87</sup>

Further, the SAF must be flexible and able to provide the political leadership with various options in times of crisis.<sup>88</sup>

Singapore possesses a number of advantages which improves the probability of successfully carrying out its military transformation. The continuous tenure of the ruling People's Action Party since 1959 has ensured both continuity and consistency in Singapore's defence development. This development has been underpinned by Singapore's dramatic economic growth over the past five decades, as well as the government's policy of attracting the best and brightest talent in the country to join the SAF. Established in the late 1960s with the assistance of Israel, the SAF has consistently received defence allocations equivalent to 5-6

---

<sup>83</sup> Jacqueline Lee et al., *Realising Integrated Knowledge-Based Command and Control: Transforming the SAF*, Pointer Monograph no. 2 (Singapore: Pointer/ Joint Communications and Information Systems Department, Ministry of Defence, 2003), <[http://www.mindef.gov.sg/safti/pointer/back/monograp/mono\\_ikc2/ikc2\\_all.pdf](http://www.mindef.gov.sg/safti/pointer/back/monograp/mono_ikc2/ikc2_all.pdf)> [Accessed 15 May 2011].

<sup>84</sup> 'About the Third Generation SAF', Ministry of Defence, Singapore, 24 April 2010, <[http://www.mindef.gov.sg/imindef/mindef\\_websites/topics/3g/what.html](http://www.mindef.gov.sg/imindef/mindef_websites/topics/3g/what.html)> [Accessed 12 November 2010].

<sup>85</sup> *Ibid.*

<sup>86</sup> *The Military Balance 2010*, p. 382.

<sup>87</sup> Andrew Tan, 'Military Transformation in a Changing Security Landscape', *Pointer* (Journal of the Singapore Armed Forces), vol. 29, no. 3 (July-September 2003), p. 31. *Author's Note: The author of the Pointer article, whilst sharing the same name, is not related to the author of this article.*

<sup>88</sup> *Ibid.*, p. 33.

percent of Singapore's GNP. Singapore has also been able to maintain universal male conscription and sustain large reservist military forces, something democratically-elected governments in Taiwan and South Korea are finding politically difficult to maintain, and in Japan and Australia, politically impossible. Singapore has also invested heavily in defence industry as well as pursuing the necessary weapons systems to enable the SAF to keep its military edge in a region that has in the past been unstable.

More significantly, Singapore's close strategic, political, military and economic relationship with the United States has deepened after the end of the Cold War as the country searches for a great power protector in an international system that has been in a state of flux. Indeed, Singapore has been a leading advocate of a greater security role for the United States in the region and has backed this strategic policy by building a naval base at Changi that could accommodate US aircraft carriers. Its close relationship with the United States has provided access the latest military technology which is necessary for its military transformation and for building closer interoperability with US forces in the Pacific.

Singapore's defence industries have benefitted from the state's support, the technological sophistication of its economy, and the many collaborative linkages it has developed with other countries over the years. Its defence industries have produced a range of weapons and other systems to support the development of the Third Generation SAF. A range of C4ISR technologies are being developed, as well as computerised war gaming and simulation, information security systems and offensive information warfare capabilities. The SAF has also focused on developing a range of UAVs, from small tactical ones to a reported battle management LALEE (Low-Altitude Long Enduring Endurance) drone the size of a Boeing 737.<sup>89</sup> In addition, it has developed its own Battlefield Management System which helps network the SAF's land forces, as well as a range of artillery, including 155mm 52-calibre self-propelled howitzers, and a range of armoured vehicles.<sup>90</sup>

Singapore is developing its own space-based satellite capabilities, reportedly funding the advanced development of Israel's Ofeq satellites which it would eventually operate.<sup>91</sup> In 2010, the Israeli press speculated that Singapore had funded the development of the new Iron Dome anti-rocket system developed by Israel which it would soon deploy to defend its military installations against rocket and artillery attack.<sup>92</sup> Desmond Ball, in evaluating Singapore's SIGINT (signals intelligence) capabilities, concluded

---

<sup>89</sup> Tim Huxley, 'Singapore and the Revolution in Military Affairs', in Emily O. Goldman and Thomas G. Mahnken (eds.), *The Information Revolution in Military Affairs in Asia* (New York: Palgrave Macmillan, 2004), p. 193.

<sup>90</sup> *The Military Balance 2010*, pp. 424-7.

<sup>91</sup> Huxley, 'Singapore and the Revolution in Military Affairs', p. 197.

<sup>92</sup> Yossi Melman, 'Was Iron Dome Defense System Actually Built for Singapore?', *Haaretz.com*, 25 March 2010, <<http://www.haaretz.com/print-edition/features/was-iron-dome-defense-system-actually-built-for-singapore-1.266629>> [Accessed 15 May 2011].

that Singapore had some of the most advanced communications intelligence (COMINT) capabilities in the world and the most advanced electronic warfare (EW) capability in Southeast Asia.<sup>93</sup>

Singapore commitment to military transformation has meant that it is able to deploy highly capable conventional armed forces. In 2010, the army possessed substantial assets such as ninety-six Leopard 2A4 MBTs and about 1600 armoured personnel carriers (including locally-developed Bionix, Terrex and Bronco), and a very modern artillery capability, including the US-made HIMARS precision-rocket launching system.<sup>94</sup>

Integral to military transformation has also been the acquisition of advanced surveillance platforms, such as four Gulfstream 550 jets equipped with the Elta conformal AEW system which went into service in Israel in 2008.<sup>95</sup> In addition, Singapore currently operates a comparatively large UAV fleet, consisting of about forty Israeli-made Hermes 450 and Searcher UAVs, and is actively developing its own UAVs. Indeed, the air force has been the cutting edge in Singapore's military transformation with twenty-four F15SG Eagle combat aircraft being procured and plans to acquire up to 100 Joint Strike Fighters in the coming decade to replace its current fleet of F16C/D Falcon combat aircraft.<sup>96</sup> The navy is also seeing its own military transformation with the acquisition of six Lafayette stealth frigates equipped with Herakles phased array radar and four modern amphibious warfare vessels.<sup>97</sup> Singapore has made the development of submarine forces a key priority with its acquisition of a submarine rescue capability and speculation that Singapore is planning to procure the new A26 next-generation Swedish submarine in the coming decade to replace its current fleet of refurbished Challenger and Archer-class submarines.<sup>98</sup>

Singapore's approach to the RMA has been highly supportive and its implementation competent and well-resourced. However, the same concerns which for instance affect South Korea, should be also relevant for the SAF. This includes the question how well an RMA-capable armed forces can cope with asymmetric warfare strategies. More significantly, the pursuit of an RMA is drawing Singapore into a long-term strategic alliance relationship with the United States. This has political implications in that it will constrain the room for flexibility in the face of changes in the geostrategic

---

<sup>93</sup> Unpublished paper, as cited in Huxley, 'Singapore and the Revolution in Military Affairs', p. 198.

<sup>94</sup> *The Military Balance 2011*, p. 269.

<sup>95</sup> Siva Govindasamy, 'Singapore 2010: RSAF Displays G550 AEW Platform for the First Time', *Flight International*, 31 January 2010, <<http://www.flightglobal.com/articles/2010/01/31/337833/singapore-2010-rsaf-displays-g550-aew-platform-for-first-time.html>> [Accessed 15 May 2011].

<sup>96</sup> *The Military Balance 2011*, p. 270; Wendell Minnick, 'Singapore Interested in F-35?', *Defense News*, 11 July 2010, <<http://www.defensenews.com/story.php?i=3620542>> [Accessed 15 May 2011].

<sup>97</sup> *The Military Balance 2011*, p. 269.

<sup>98</sup> Stuart Slade, 'Swedish A26 Submarine Moves Ahead', *Forecast International*, 24 November 2009, <<http://www.forecastinternational.com/abstract.cfm?recno=166833>> [Accessed 15 May 2011].

environment. For instance, Singapore will find itself with little room to manoeuvre should China-US strategic rivalry result in greater tension and even conflict.

## **Problems in Military Transformation in East Asia**

The analysis suggests that America's key allies in East Asia have felt compelled to respond to the RMA. The results have however, varied. Japan, with the world's third biggest economy, would have been expected to embrace military transformation as a means of maintaining its military edge, in the face of the erratic behaviour of a nuclear-armed North Korea and an increasingly assertive China aroused by anti-Japanese nationalism. However, constitutional and political constraints, lack of strategic clarity and thinking, as well as a startling degree of complacency, have meant that Japan's response to the RMA has been rather slow and incomplete, leading to a failure to exploit greater options and flexibility in defending Japan's strategic interests. The situation in Taiwan is also similar, due to domestic political reasons and its international isolation. The most enthusiastic adoption of the RMA, accompanied by its clear exposition, has been in South Korea, Australia and Singapore.

A key problem of the RMA in East Asia is that it is divorced from the political and strategic context, focusing only on the military transformation of the armed forces so that they could prevail in conventional war. For instance, Japan has not displayed any clear understanding of the political objectives for which its armed forces could be employed, which has led to its increasingly disadvantageous strategic position vis-à-vis China, which has a much better understanding of what military power can or should achieve in terms of political goals. Hence, China's decision to soon deploy aircraft carriers is meant not so much for warfighting as for projecting China's power and increasing its influence in the region. By reducing the RMA debate into whether Japan can or cannot legally employ "offensive" weapons, Japan has signalled to the rest of Asia that it will not be able to play the role of a great power balancer against China. In the case of South Korea, the ultimate objectives of the RMA have not been thought through, given the surprises that the North sprung on the South in 2010 and the South's obvious impotence in the face of the North's provocations.

More seriously, the RMA in South Korea has not considered the more obvious problem of the North's tremendous anti-RMA capabilities, which lie in the North's massive special forces, its huge artillery capabilities, and its ability to employ weapons of mass destruction including nuclear weapons. In Australia, the RMA moves it closer to the United States without consideration for the proper long-term political and economic interests of the country, which are not the same as the United States'. The impending acquisition of Joint Strike Fighters by Australia and Singapore will have important strategic ramifications given the United States' refusal to share software source codes for the combat aircraft, with the result that a decision to procure them will lock these countries into a long-term strategic

relationship with the United States, thus constraining their room for political flexibility in the future.

Another problem with the RMA in East Asia is that it may not have been accompanied by a clear appreciation of its limitations, for instance, in dealing with weapons of mass destruction, or low-intensity conflict such as insurgencies, as Iraq and Afghanistan are presently demonstrating. Amidst all the hype regarding an RMA-type transformation, there is real danger that the enthusiasm over technological fixes could lead to complacency regarding its limitations, as well as erode the traditional military values centred around the human will, initiative and military judgement. If anything, the insurgencies in Iraq and Afghanistan have reinforced these traditional military values, reminding of the basic continuities underlying warfare despite technological innovations.

In addition, the RMA has spurred counter-RMA strategies, such as those displayed by North Korea. China has also been developing anti-access capabilities to counter US forces in the West Pacific, in tandem with efforts at developing conventional force projection capabilities in support of foreign and strategic objectives, demonstrating the primacy of welding proper strategy, as opposed to developing the means without proper consideration as to what they are to be used to achieve.

Finally, the very visible arms build up that has been part of the RMA (and counter-RMA strategies) in East Asia has been a key factor in the regional arms race, as new and better military capabilities are being introduced. In the absence of an overall regional framework centred on multilateral institutions, regimes, norms, confidence building measures and transparency, there is today the real danger of a regional arms race, as Desmond Ball has warned. This could lead to heightened tensions, misperceptions, security dilemmas, conflict spirals and eventually lead to open war between states in the region. In short, adopting the RMA is not a panacea. There is real need for the countries involved to carefully understand its potential and limitations, and to relate what are essentially military means to overall political objectives and strategic frameworks.

*Andrew T. H. Tan is Associate Professor and Convenor, International Studies, at the University of New South Wales, Australia. He was previously Senior Lecturer in Defence Studies, King's College London, and taught at the Joint Services Command and Staff College, United Kingdom. He is the author or editor of thirteen books. [Andrew.Tan@unsw.edu.au](mailto:Andrew.Tan@unsw.edu.au).*

---

# Creating a European Defence Industrial Base

Keith Hartley

The European Union (EU) is committed to creating a European Defence Technological and Industrial Base (EDTIB) aimed at removing some of the inefficiencies in EU defence markets. The plan is for an EDTIB which will be capable, competent and competitive (the three Cs). Data are a starting point, addressing the issues of what is known and not known about Europe's defence industries. The major firms in the air, land, sea and defence electronics sectors are described. Typically, EU defence industries are characterised by excess capacity with too many small firms compared with their US rivals. The paper concludes by identifying some of the challenges in creating and maintaining an EDTIB.

European defence industrial policy has three components. First, its traditional focus on collaborative defence equipment programmes (e.g. multinational Eurofighter Typhoon and Airbus A400M airlifter programmes). Second, its 2005 initiative to create a Single European defence equipment market known as the European Defence Equipment Market (EDEM). Third, the 2007 initiative to maintain a strong European Defence Technological and Industrial Base (EDTIB) which is the focus of this article.

Policy towards the EDTIB is explained and critically evaluated. The EDTIB has to address the inefficiencies in EU defence markets. Compared with the US defence industry, European inefficiencies result from small national markets, duplication of costly R&D and short production runs with European firms failing to exploit economies of scale and learning. The EDTIB has to recognise the industrial implications of historical cost trends leading to rising unit costs. A sector analysis is presented with data on the major firms in the EDTIB. The article concludes by identifying some of the challenges in maintaining an EDTIB.

## The Model of the EDTIB

Three agencies are involved in implementing European defence industrial policy. The Organisation for Joint Armaments Cooperation (OCCAR) is responsible for managing European collaborative equipment programmes. The European Commission is responsible for achieving the EDEM and the European Defence Agency (EDA) is responsible for the EDTIB.

The case for the EDTIB starts from the proposition that "a fully adequate DTIB is no longer sustainable on a national basis" and that a truly European DTIB is something more than the sum of its national parts:

We cannot continue routinely to determine our national equipment requirements on separate national bases, develop them through separate national R&D efforts, and realise them through separate national

procurements. This approach is no longer economically sustainable—and in a world of multinational operations it is operationally unacceptable...<sup>1</sup>

The EDA has outlined its model of the EDTIB. It will be characterised by the ‘three Cs’, namely it will be *capability-driven* (i.e. capable of meeting the operational requirements of the Armed Forces whilst sustaining European and national operational sovereignty); *competent* (i.e. able to exploit the best technologies); and *competitive* both within and outside Europe. Such an EDTIB will need to be “more integrated, less duplicative and more interdependent—increased specialisation at all levels of the supply chain must take over from all (or at least too many) trying to do everything”.<sup>2</sup> Centres of excellence will be part of the EDTIB although such centres will be determined by a combination of market forces moderated by policy considerations and a requirement for an ‘appropriate regional distribution’. This EDTIB will be more closely integrated with the wider, non-defence European technological and industrial base with less European dependence on non-European sources for key defence technologies. However, the EDA model does not envisage a ‘fortress Europe’ but recognises the problem of accessing the US defence market and the need to establish ‘balanced’ technology exchange across the Atlantic.<sup>3</sup>

The EDA regards a ‘strong’ EDTIB providing the basis for the European Security and Defence Policy. It provides political, military and economic benefits. These comprise independence and security of supply for Europe’s Armed Forces and economic benefits in the form of employment, exports and technological advance.<sup>4</sup> Data are a starting point in assessing the EDTIB: what is known about the Industry and its major firms?

## Data Problems

Industrial economists analyse the European defence industry using the structure-conduct-performance paradigm. However, such an approach presents a broad aggregate analysis of the whole EU defence industrial base. This article focuses on the sectors which comprise the EDTIB, namely, air, land and sea systems and defence electronics. Ideally, each sector needs to identify the major prime contractors and their defence industry supply chains. Evidence is needed on the size of each sector as measured by sales and employment together with such performance indicators as productivity, exports and profitability. Further, each sector needs to be assessed in terms of the Three Cs components of the EDTIB: capabilities; competencies; and competitiveness.

Policy towards developing the EDTIB requires a comprehensive and reliable data set. There are, however, major data limitations: gaps in the data mean that it is not possible to obtain the statistics needed for an adequate

---

<sup>1</sup> European Defence Agency, *A Strategy for the European Defence Technological and Industrial Base* (Brussels: European Defence Agency, May 2007), p. 1.

<sup>2</sup> *Ibid.*, p. 2.

<sup>3</sup> *Ibid.*

<sup>4</sup> *Ibid.*, p. 1.

economic evaluation of the individual sectors of the EDTIB. The available but extremely limited data will be presented and reviewed. We need to ask: what do we know; what do we not know; and what do we need to know for sensible policy debates about these sectors? Typically, we know very little; much is not known; and we need to know much more!

**Table 1: Size of the EDTIB, 2009**

	<b>Sales (Euros billions)</b>	<b>Direct Employment</b>
<b>Total Aerospace and Defence</b>	154.7	696,000
<b>Aerospace:</b>	105.9	500,000
<b>Of which military aerospace (est)</b>	41.5	178,678
<b>Land and Naval</b>	45.5	195,900
<b>Land</b>	26.8	113,000
<b>Naval</b>	18.8	82,900
<b>Total EU Defence Industry (est)</b>	87.0	374,578

Notes: 1) Total comprises aerospace and land and naval sales and employment. This total includes both military and civil aerospace business and is not an accurate reflection of defence only sales and employment. Defence electronics is not included. 2) Numbers are rounded. 3) (est) is author estimate based on military aeronautics and military space sales with employment based on labour productivity for land and naval sectors applied to estimated military aerospace sales. Military aerospace sales estimated at 41 percent of total aeronautics sales plus military space sales at Euros 5.46 billion. 4) Employment is direct numbers only and does not include supplier companies (i.e. indirect).

Source: ASD, *Facts and Figures 2009* (Brussels: Aerospace and Defence Industries Association of Europe, 2009).

Annual data are published for the European Aerospace and Defence Industries.<sup>5</sup> They provide a starting point in estimating the size of the EDTIB reflected in sales and employment as shown in Table 1. However, these data are limited in that they include Aerospace which comprises both military and civil sales and employment; they exclude supplier companies; defence electronics are not included in the data; there is only a limited time-series; and there are major discrepancies with the official published data for countries such as the United Kingdom.<sup>6</sup> Further serious gaps exist in the knowledge and understanding of defence industry supply chains within the EU (including the role of small and medium enterprises in such supply chains): supply chains are complex and differ between each of the air, land and sea sectors.<sup>7</sup>

<sup>5</sup> AeroSpace and Defence (ASD), *Facts and Figures 2009* (Brussels: AeroSpace and Defence Industries Association of Europe, 2009).

<sup>6</sup> For example in 2008, the ASD data showed total direct employment for the UK Aerospace and Defence Industry at 140,200 compared with the official figure for UK defence industry employment of 300,000 personnel. The UK figures included both direct and indirect employment and were for defence activities only; they are also well-founded on consistent definitions and economic methodology. Defence Analytical Services and Advice, *UK Defence Statistics 2009* (London: Ministry of Defence/Defence Analytical Services and Advice, The Stationery Office, 2009).

<sup>7</sup> K. Hartley et al., *AFV Supply Chain Analysis, A study of Warrior and Piranha* (London: DTI, 1997); K. Hartley, *FASM Industrial Base Study* (London: Ministry of Defence, 1999).

Data for the EDTIB are also available at the company level, based on the Stockholm International Peace Research Institute (SIPRI) Top 100 arms companies. These data will be used to analyse each sector. Some company and industry performance data are available which can be used to analyse labour productivity, research and development (R&D), profitability and exports.<sup>8</sup>

A limitation of the sector approach has to be addressed. A sector focus might fail to identify industrial re-structuring opportunities between sectors. Firms seeking cost-minimising opportunities, including opportunities for achieving economies of scale and scope and minimising transaction costs will not be constrained by a traditional sector focus. They will seek profitable opportunities across defence sectors and between defence and civil markets.<sup>9</sup>

### **The EU Defence Industry: Budget and Cost Pressures**

Reduced defence spending following the end of the Cold War resulted in major capacity and employment reductions in the European defence industry. Re-structuring reflecting mergers and acquisitions resulted in new names emerging in the top European arms firms, namely, BAE Systems, EADS and Thales. Most European mergers were at the national level although there were a few notable cross-border mergers and acquisitions, namely, EADS and Thales. Elsewhere, some arms firms either dropped out of the top group or exited the industry. Compared with the top US arms firms, there remain further opportunities for re-structuring to create larger European arms firms capable of competing with the top US companies. These general industry trends will be reflected in similar developments in each of the aerospace, land, sea and defence electronics sectors of the EU defence industrial base.

The end of the Cold War resulted in lower defence budgets (the peace dividend) with further reductions likely following the global economic and financial crisis of 2007/10. Falling defence budgets are also subject to rising input costs, especially for defence equipment. For example, military aviation has shown an historical trend towards higher unit costs. Norman Augustine famously predicted that by 2054, the US defence budget would buy just one aircraft and that the UK would reach this position two years earlier.<sup>10</sup> Table 2 shows examples of unit production cost trends for a sample of UK combat aircraft. The examples reflect technical progress with the Typhoon achieving greater speeds and capabilities compared with the Spitfire. Higher unit costs mean smaller numbers purchased and hence shorter production runs for defence firms (with a limiting case of one unit of production).

---

<sup>8</sup> K. Hartley, 'BAE Systems plc: Company Survey Series 1', *Defence and Peace Economics*, forthcoming.

<sup>9</sup> See A. James, K. Hartley et al., 'A Study on How to Measure the Strengths and Weaknesses of the DTIB in Europe', Report for the European Defence Agency, Brussels (2008).

<sup>10</sup> N. Augustine, *Augustine's Laws* (London: Penguin Books, 1987).

**Table 2: Unit cost trends for combat aircraft**

Aircraft type	Unit production costs (£s, 2010 prices)
Spitfire (1940)	154,850
Meteor (1946)	187,500
Hunter (1955)	338,500
Lightning (1959)	1,300,800
Typhoon (2011)	73,200,000

Notes: 1) Data adjusted to 2010 prices using RPI deflator. 2) Figures are rounded. 3) Data in brackets show date of price estimate and when the aircraft was in service.

Sources: Ministry of Defence/DSTL, *Aircraft Contract Book Data: Historical Cost Data of RAF Aircraft 1935-1965* (London: Ministry of Defence using DSTL version, 2010); National Audit Office, *Major Projects Report: Ministry of Defence* (London: National Audit Office, The Stationery Office, 2010).

Defence R&D affects each of the three Cs components of the EDTIB: capability; competence; and competitiveness. In 2009, the major defence R&D spenders in the EU were the United Kingdom, France, Germany, Italy, Spain and Sweden. However, the total EU defence R&D spend was a mere 15 percent of the corresponding US expenditure in 2009. The differences are even greater when it is recognised that the EU total comprises all spending by each Member State and is not a genuine aggregate figure. More realistic comparisons are between each EU nation state and the United States. On this basis, the United Kingdom and France each spent 5-6 percent of US total defence R&D in 2009.<sup>11</sup> Such R&D data confirm the scale differences between Europe and the US defence industry with implications for international competitiveness. There are opportunities for creating a genuine EU collective defence R&D effort (i.e. creating a single EU defence R&D market as part of the EDTIB).

The impact of defence R&D on industry competitiveness is even more striking. A UK study found a positive relationship between a nation's defence R&D and its equipment quality (or time advantage) although the relationship was subject to substantial diminishing returns. In 2001, the United States was at the top of the curve with a time advantage over the United Kingdom and France of some 5-6 years and a time advantage over Germany and Sweden of 7+ and 11+ years.<sup>12</sup> On this basis, only the United Kingdom and France have any reasonable prospect of competing in major systems with the US defence industry. Again, there are no published data on the distribution of European defence R&D between each of the sectors. However, it is reasonable to assume that the military aerospace sector is the most research-intensive group and that this will be reflected in this sector's export performance (the involvement of European states in the US JSF/F-35 project weakens the EU defence R&D effort).

<sup>11</sup> European Defence Agency, *Defence Data* (Brussels: European Defence Agency, 2011).

<sup>12</sup> DIS, *Defence Industrial Strategy* (London: Ministry of Defence, The Stationery Office, December 2005), p. 39.

In assessing the EDTIB, there are some criteria which can be used to identify both a 'strong' and a 'weak' EDTIB. A strong EDTIB will be characterised by privately-owned firms; by free entry and exit; by sufficient numbers of firms for genuine rivalry (e.g. five or more similar-sized firms); by fixed price contracts which provide hard budget constraints; and by firms earning average or normal profits over the long-run. In contrast, a weak EDTIB will be dominated by state-owned firms; entry and exit barriers (e.g. support for national champions); inefficiencies which lead to losses and hence subsidies resulting in soft budget constraints; by cost-plus contracts which promote inefficiency; and by an absence of capital market pressures where there are no take-overs or bankruptcy.<sup>13</sup> These criteria can be applied to each of the air, land, sea and defence electronics sectors.

### **THE AEROSPACE SECTOR OF THE EDTIB**

Industry data are presented in Table 1. More detailed data are available at the company level. For the company analysis, the military aerospace sector is defined to embrace aircraft, aero-engines, helicopters, missiles and space systems. Tables 3 and 4 shows the top European and US aerospace firms in 2009. Aerospace firms accounted for 80 percent of the world's top ten defence firms. US firms provide the criteria for assessing the competitiveness of the EU firms. There are substantial differences in the average size of EU and US aerospace companies. Typically, the EU is characterised by too many relatively small firms. In 2009, the average size of EU aerospace firm in terms of arms sales was \$6191 million compared with average arms sales of \$11,664 million for their US aerospace rivals.<sup>14</sup> Typically, US aerospace firms were almost twice the size of their EU counterparts. Within the EU, only the privately-owned BAE Systems was of a similar size to the top US military aerospace companies (which were also privately-owned). Thus, there are considerable opportunities for creating more, larger EU aerospace firms. For example, consider the EU aero-engine sector where both Rolls-Royce and SAFRAN are of similar size in terms of arms sales to their US rivals; but the German and Italian engine companies are 'too small' (MTU and Avio). Of course, this analysis is confined to European aero-engine companies which neglects opportunities for re-structuring across the defence sectors (i.e. with land, sea or electronics firms) or with other civil groups either in Europe or elsewhere in the world (assuming that private capital markets can determine re-structuring). Also, there are further opportunities for re-structuring amongst suppliers. But the published data provide little information on supply chains and the opportunities for mergers amongst suppliers to create larger groups able to undertake more R&D and exploit economies of both scale and scope.

The European and US aerospace firms were each involved in an average of almost three arms products suggesting that the US firms were exploiting

---

<sup>13</sup> K. Hartley, 'Collaboration and European Defence Industrial Policy', *Defence and Peace Economics*, vol. 19, no. 4 (2008), pp. 303-15.

<sup>14</sup> The EU was defined to exclude non-Member States and subsidiaries were excluded from the estimates of firm size, all based on Table 3.

greater economies of scale and learning. Interestingly, BAE Systems was unique in being the most multi-product arms firm in both the EU and the United States, with seven arms product groups embracing air, land, sea and electronics sectors.<sup>15</sup> BAE has also acquired substantial businesses in the US defence market. The EU aerospace firms were also more dependent on defence sales with a median share of 45 percent compared with a median of 34 percent for the US aerospace firms (all based on EU firms and excluding subsidiaries). The EU position of too many relatively small firms is reinforced and further illustrated by the position of the two aerospace firms in Switzerland and Norway, each of which are amongst the smallest in the top 100 group. Tables 3 and 4 show that the major EU and US aerospace firms were involved in defence electronics, so providing data on the defence electronics sectors.

Collaborative programmes are a distinctive feature of the European aerospace sector. These programmes involve the sharing of total R&D costs and the pooling of production orders between the partner nations. Aerospace has been involved in collaborative programmes for military and civil aircraft, helicopters, missiles and space systems. Some have led to the formation of European companies, namely, Airbus, MBDA, Eurocopter and ESA. Collaborations have ranged from the minimum two nation collaboration (e.g. Anglo-French Jaguar and the helicopter programmes) to three to four nations collaborations on advanced combat aircraft (e.g. Tornado; Typhoon) and the seven European nation collaboration on the A400M airlifter. Collaboration is one of the distinctive features of European defence industrial policy; but it has been mostly confined to the aerospace sector. This reflects the high and rising costs of modern aerospace projects, especially for development.<sup>16</sup> In principle, collaboration enables European aerospace firms to compete with their US rivals.

Opportunities remain for improving the efficiency of European collaboration on military projects. Typically, work-sharing arrangements and the bureaucracy associated with these projects leads to extra costs and delays.<sup>17</sup> Also, there remain opportunities for creating European companies rather than relying on *ad hoc* loose federations of project-specific arrangements for managing such programmes. Airbus in the civil aircraft market shows that international collaboration can be successful.

---

<sup>15</sup> Product groups refer to the number of arms sectors in which BAE companies were listed in the SIPRI data base for the Top 100 companies. For example, BAE was listed as involved in seven arms product groups, namely, aircraft, missiles, electronics, artillery, ammunition, vehicles and warships. An arms firm's involvement in other civil markets is indicated by its percentage share of arms in total sales—e.g. a 10 percent arms share means a 90 percent share of total sales in civil markets.

<sup>16</sup> Hartley, 'Collaboration and European Defence Industrial Policy', pp. 303-15.

<sup>17</sup> K. Hartley, 'Defence Industrial Policy in a Military Alliance', *Journal of Peace Research*, vol. 43, no. 4 (2006), pp. 473-89.

Table 3: Top European Aerospace Firms, 2009

Company	Country	Sector	Arms sales (US\$ millions)	Arms employment	Arms sales as share of total sales (%)
BAE Systems	UK	Ac, El, Mi, A, MV, SA/A, Sh	33,250	93,100	95
EADS	W. Eur	Ac, El, Mi, Sp	15,930	32,268	27
Finmeccanica	Italy	Ac, El, Mi, A, MV, SA/A	13,280	38,722	53
Thales	France	Mi, El, A, MV, SA/A, Sh	10,200	36,645	57
SAFRAN	France	Eng, El	4,740	18,107	33
Rolls-Royce	UK	Eng	4,140	10,036	26
MBDA (BAE; EADS; Finmeccanica)	W. Eur	Mi	3,610	9,750	100
Eurocopter (EADS)	France	Ac	3,050	6,128	48
CASA (EADS)	Spain	Ac	2,900	5,842	92
AgustaWestland (Finmeccanica)	Italy	Ac	2,800	5,997	58
Saab	Sweden	Ac, El, Mi	2,640	10,790	82
EADS Astrium (EADS)	W. Eur	Sp	2,400	5,400	36
Cobham	UK	Comp (Ac, El)	2,260	8,886	77
Alenia Aeronautica (Finmeccanica)	Italy	Ac	1,810	5,280	67
Dassault Aviation	France	Ac	1,360	7,805	67
Thales Air Defence (UK)	France	Mi	1,210	4,348	100
GKN	UK	Comp (Ac)	1,110	6,494	17
Kongsberg Gruppen	Norway	Mi, El, SA/A	1,090	2,710	50
Diehl	Germany	Mi, SA/A	1,070	4,274	35
Meggitt	UK	Comp(Ac)	810	3,240	45
MTU Aero-Engines	Germany	Eng	740	1,534	20
RUAG	Switzerland	Ac, Eng A, SA/A	730	3,540	47
Avio	Italy	Eng	670	1,464	28
Patria	Finland	Ac, MV, SA/A	660	3,000	88

**Table 4: Top US Aerospace Firms, 2009**

Company	Sector	Arms sales (US\$ millions)	Arms employment	Arms sales as share of total sales (%)
Lockheed Martin	Ac, El, Mi, Sp	33,430	103,600	74
Boeing	Ac, El, Mi, Sp	32,300	78,550	50
Northrop Grumman	Ac, El, Mi, Sp, Serv, Sh	27,000	96,560	80
Raytheon	Mi, El	23,080	69,750	93
United Technologies	Ac, Eng, El	11,110	43,407	21
General Electric	Eng, El	4,700	9,000	3
Sikorsky (United Technologies)	Ac	3,980	13,875	63
Pratt and Whitney (United Technologies)	Eng	3,940	11,160	31
Textron	Ac, Eng, El, MV	3,570	10,880	34
Goodrich Corp	Comp (Ac)	2,010	7,200	30
Precision Castparts Corporation	Comp (Ac)	880	2,896	16
Vought Aircraft Industries	Ac	640	2,655	34
Esterline Technologies	Comp (Ac, A, SA/A, Sh)	640	4,005	45
AAR Corporation	Comp (Ac), Serv	610	4,685	79

Notes: 1) Ac=aircraft; Eng=engines; Mi=missiles; Sp=space; A=artillery; El=electronics; MV=motor vehicles; SA/A=small arms/ammunition; Serv=services; Sh=ships; Comp=components. 2) Companies reported are all those in the SIPRI Top 100 with any aerospace products, defined as aircraft, engines, missiles and space plus aircraft component suppliers. Other non-aerospace products are also shown. Further mergers since 2009 can result in changes to names and rankings. 3) Arms employment estimates are derived by applying the arms share of sales to total employment: hence, the figures are broad approximations only. In some cases, arms employment was estimated by applying the average company productivity to the sales figures. Where the firm is 100 percent defence-dependent, the arms employment figures are accurate. 4) Arms employment estimates are for all arms activities of the firm. For example, BAE arms employment are for its employment in air, land and sea systems and defence electronics. 5) Company names: where brackets are shown with the company name, this shows that it is a subsidiary of the group named in brackets. Subsidiaries of subsidiaries are not listed. 6) Sales in \$US millions at current prices and exchange rates.

**Source:** SIPRI Yearbook 2011 (Stockholm: Stockholm Peace and Research Institute, 2011).

Applying the US 'model' shows some of the opportunities for re-structuring the EU military aerospace sector. The United States has three major combat aircraft firms compared with six European firms in this market. Re-structuring also means reductions in excess capacity in the sector. The possible end of future manned combat aircraft and their replacement with UAVs will mean capacity reductions in the military aircraft production sector. For example, the United Kingdom expects that the future number of military aircraft plants will fall from four to two.<sup>18</sup> However, so long as manned

<sup>18</sup> DIS, *Defence Industrial Strategy*.

combat aircraft remain in service they will require support and up-grading over their life-cycle: hence, this capability will need to be retained.

### **THE LAND SECTOR**

In 2009, turnover in the EU Land Sector was Euros 26.8 billion with total direct employment of 113,000 personnel.<sup>19</sup> Compared with the military aerospace sector, land systems are not R&D-intensive and lack established and successful European collaborative programmes. Like aerospace, the sector has experienced substantial industrial re-structuring. For example, since 1995, the UK land sector has been reduced from some five prime contractors (Alvis; GKN Defence; Vickers Defence Systems; RO Defence; Marconi Defence Systems) to one prime, namely, BAE Land Systems (with headquarters in the United States). The factors leading to this industrial consolidation included low profit margins, gaps in work load, a lack of competitive products; a decline in the world export market following the end of the Cold War; and a change in national defence requirements (e.g. reduced demand for tanks).

Little is known about defence industry supply chains, but one major study provided insights into the complexity of the supply chain for the UK Warrior AFV (Armoured Fighting Vehicle). On Warrior, there were over 200 first tier suppliers (selling directly to what was then GKN: now BAE Land Systems), but there was substantial concentration within the supply chain. A total of ten suppliers accounted for over 70 percent of the value of GKNs Warrior purchases and the top forty-two suppliers accounted for 85-90 percent of total GKN purchases. Then, the 207 first level suppliers on Warrior used an average of eighteen suppliers (second tier) whilst these second tier firms had an average of seven suppliers (third tier).<sup>20</sup>

For munitions, there is further information on major suppliers. The UK Ministry of Defence purchases 80 percent of its munitions from BAE Land Systems. In 2005, much of the remaining munitions spending was with twelve suppliers: Chemring Countermeasures; Bofors Defence; PW Defence (UK); NAMNO; Wallop Defence; Austin Hayes; Rheinmetall Waffe Munitions; Troon Investments; General Dynamics; QinetiQ; Nobel Enterprises; and Denis Ferranti Meters Ltd.<sup>21</sup>

Table 5 shows the major land systems firms in 2009. Typically, the average size of US land systems firms was some twice the average for EU land systems firms suggesting opportunities for further re-structuring within the European land sector. There are too many relatively small firms in this sector: with US scales of output, the same level of EU output could be achieved with half the number of European firms. Also, the EU firms produced an average of three arms products compared with the US average of two arms products. As a result, the US firms were achieving greater

---

<sup>19</sup> ASD, *Facts and Figures 2009*.

<sup>20</sup> Hartley et al., *AFV Supply Chain Analysis*.

<sup>21</sup> DIS, *Defence Industrial Strategy*, p. 98.

economies of scale (larger output over fewer products). On average, both sets of firms had similar degrees of defence-dependence.

**Table 5: EU and US Major Land Systems Firms, 2009**

Company	Country	Sector	Arms sales (US\$ millions)	Arms employment	Arms share of total sales (%)
<b>Europe</b>					
Finmeccanica	Italy	A, MV, SA/A, Ac, EI, Mi	13,280	38,722	53
Thales	France	A, MV, SA/A, EI, Mi, Sh	10,200	36,645	57
Rheinmetall	Germany	A, MV, SA/A EI	2,640	10,874	55
Krauss-Maffei Wegmann	Germany	MV	1,630	2,993	95
Nexter (ex-GIAT)	France	A, MV, SA/A	1,230	2,690	100
Kongsberg Gruppen	Norway	SA/A, EI, Mi	1,090	2,710	50
Diehl	Germany	SA/A, Mi	1,070	4,274	35
Chemring Group	UK	SA/A	750	3,216	96
RUAG	Switzerland	A, SA/A, Ac, Eng	730	3,540	47
Patria	Finland	MV, SA/A, Ac	660	3,000	88
Iveco (Fiat)	Italy	MV	650	1,744	7
<b>United States</b>					
General Dynamics		A, MV, SA/A EI, Sh	25,590	73,360	80
BAE Systems	Land/armaments HQ in United States	A, MV, SA/A, EI	19,280	48,020	100
SAIC		Comp (MV), Serv	8,030	34,188	74
AM General		MV	3,720	Na	Na
Textron		MV, EI, Eng, Ac	3,570	10,880	34
Alliant Techsystems		SA/A	2,810	10,620	59
Navistar		MV	2,800	4,296	24
Oshkosh Corporation		MV	2,770	7,956	52
Force Protection		MV	980	1,170	100

Notes: 1) See Notes to Table 3 and 4. 2) Some firms are involved in land and other defence business so that the data reflect their total arms sales and employment and not only land systems. 3) Land systems are defined as artillery (A); motor vehicles (MV); and small arms and ammunition (SA/A). 4) BAE Systems is UK-owned but with major businesses in the United States (Land and Armaments and Electronics, Intelligence and Support) each with HQs in the United States. In addition to plants in the United States, the Land and Armaments division also has plants in the UK and Sweden. 5) Na= not available.

Source: *SIPRI Yearbook 2011* (Stockholm: Stockholm Peace and Research Institute, 2011).

## THE NAVAL SECTOR

In 2009, the European Naval sector had sales of Euros 18.8 billions and employed directly 82,900 personnel.<sup>22</sup> It is more research-intensive than the European land sector. Within Europe, the major shipyards are DCNS (France); TKMS (Germany); Fincantieri (Italy); Navantia (Spain); BAE and Babcock International Group (United Kingdom).

The names of shipbuilders in Table 6 conceal substantial re-organisation and cross-ownership. TKMS (ThyssenKrupp Marine) comprises Blohm & Voss (frigates) and HDW (submarines). Further, HDW owns Hellenic Shipyards (Greece) and Kockums (Sweden). In 2009, TKMS and Abu Dhabi MAR Group formed a joint venture for the construction of naval surface ships. Part of the joint venture involved the sale of B&V shipyards in Hamburg to the Abu Dhabi MAR Group.<sup>23</sup>

DCN of France became DCNS after DCN acquired all of Thales French naval business whilst Thales acquired a 25 percent stake in DCN with the newly-merged company known as DCNS. Navantia of Spain was formerly Bazan or Izar and has the capability to build aircraft carriers. Similarly, Fincantieri of Italy has an aircraft carrier capability. There are other warship builders in Denmark (Danyard Aalborg/part of Danyard Group); Netherlands (Damen Shipyards: Royal Schelde); and Portugal (ENVC).

US shipbuilders are on average twice the size of their major European rivals. If European firms were of the US average size, then Europe's shipbuilding output could be produced by some four firms, representing a halving of the European industry's number of shipbuilding firms. The European industry also contains a larger number of specialist shipbuilders which specialise in shipbuilding as their only arms product suggesting scope for adding more arms products so allowing firms to exploit economies of scope (including adding electronics to shipbuilding).

The naval sector has only limited experience with European collaboration of the type so prevalent in aerospace (Horizon frigate). One explanation is that nations value their national warship industry and are willing to pay the price of independence (i.e. the pressures of costly and rising R&D and unit production costs are not sufficiently great to lead to European collaboration, as with the EU land sector). However, there have been recent changes with more national re-structuring and internal rationalisation removing some excess capacity. Future competitive threats to EU warship builders are likely to come from Asian firms such as Hyundai, Daewoo, Samsung and STX and from the US firms of Northrop Grumman and General Dynamics Marine Systems.

---

<sup>22</sup> ASD, *Facts and Figures 2009*.

<sup>23</sup> *Ibid*.

**Table 6: Major European and US Naval Firms, 2009**

Company	Country	Sector	Arms sales (\$US millions)	Arms employment	Arms share of total sales (%)
<b>Europe</b>					
BAE Systems	UK	Sh, Ac, El, Mi, A, MV, SA/A	33,250	93,100	95
Thales	France	Sh, A, El, MV, SA/A	10,200	36,645	57
DCNS	France	Sh	3,340	12,200	100
Babcock International Group	UK	Sh, Serv, Other	2,010	11,315	68
Navantia	Spain	Sh	1,980	4,968	90
Thyssen Krupp	Germany	Sh	1,550	5,625	3
VT Group	UK	Sh, Serv	1,240	7,050	64
Navantia	Spain	Sh	1,110	4,390	79
Fincantieri	Italy	Sh	860	2,000	19
<b>United States</b>					
Northrop Grumman		Sh, Ac, El, Mi, Sp, Serv	27,000	96,560	80
General Dynamics		Sh, El, MV, A, SA/A	25,590	73,360	80
Curtis-Wright Corporation		Comp(Sh, Ac)	760	3,192	42
Esterline Technologies		Comp(Sh, A, Ac, SA/A)	640	4,005	45

Notes: 1) Naval sector defined as those firms involved in shipbuilding (Sh). 4) VT Group arms employment estimate based on labour productivity for Devonport Management. VTs warship business was acquired by BAE Systems to form BAE Systems Surface Ships (2009). Later, the remaining business of VT was acquired by Babcock International Group (which also owns Devonport Management). These ownership changes are not shown in Table 6.

Source: *SIPRI Yearbook 2011* (Stockholm: Stockholm Peace and Research Institute, 2011).

## THE DEFENCE ELECTRONICS SECTOR

The European Aerospace and Defence Industries Association recognises that little is known about the EU defence electronics sector and its data do not separately identify this sector. Yet, defence electronics is one of the key enablers embracing the air, land and sea sectors. Electronics now plays a crucial role in weapons systems. For example, on the British Lightning combat aircraft in the 1960s, avionics represented about 25 percent of flyaway costs; on the Eurofighter Typhoon in 2004, the avionics share was some 35 to 40 percent of unit flyaway costs; and for the future, with unmanned combat air vehicles there are forecast that electronics systems will account for about 50 percent of unit costs.<sup>24</sup>

<sup>24</sup> P. Dowdall et al., 'The UK Defence Electronics Industry', *Defence and Peace Economics*, vol. 15, no. 6 (2004), pp. 565-86.

Table 7: The Defence Electronics Sector, 2009

Company	Country	Arms sales (\$US millions)	Arms employment	Arms share of total sales (%)
<b>Europe</b>				
Indra	Spain	940	7069	27
Thales	Netherlands	880	Na	100
Ultra	UK	810	3328	80
Selex Galileo (Finmeccanica)	Italy	770	2410	87
<b>United States</b>				
Honeywell		5380	20,740	17
ITT Corporation		4730	17,286	43
URS Corporation		2770	13,500	30
Rockwell Collins		2580	11,194	58
Harris		1900	5852	38
SRA International		760	3490	50
Teledyne Technologies		730	3321	41
<b>Others</b>				
Elbit	Israel	2700	10,678	95
NEC	Japan	770	2847	2
CAE	Canada	710	3010	53
Aselsan	Turkey	640	3581	96

Note: 1) L-3 Communications was not included since it had both Electronics and Services sectors. 2) Thales Netherlands is a subsidiary of Thales and Selex Galileo is a subsidiary of Finmeccanica. These subsidiaries were included in the analysis since they were specialist defence electronics firms. 3) Na=Not available.

Source: SIPRI Yearbook 2011 (Stockholm: Stockholm Peace and Research Institute, 2011).

The major EU and US defence electronics firms are shown in Table 7 together with some of their rivals in the rest of the world. The focus is on firms specialising in defence electronics only (i.e. single arms product defence electronics firms in the SIPRI Top 100). Other arms firms with defence electronics sectors as part of a multi-product business are shown in Tables 3 to 5 (i.e. firms in the aerospace and land sectors). There are four features of Table 7. First, there were larger numbers of specialist US defence electronics firms in the SIPRI Top 100 compared with the number of EU rivals. Second, there were significant size differences between the US and EU firms. On average, the specialist US defence electronics firms were some three times larger than the average size of their EU rivals. Third, the EU specialist defence electronics firms were more defence-dependent with a median defence share of 84 percent compared with a US defence-dependency share of 41 percent. Fourth, there are major rivals in the rest of the world, including Canada, Israel, Japan and Turkey as well as newly-emerging firms in China, India, Singapore, South Africa and South Korea.<sup>25</sup>

<sup>25</sup> Ibid.

## **Challenges for the EDTIB**

At the EU level, the Member States have a range of defence industries which have varying degrees of capability, competence and competitiveness (the Three Cs) which provide the basis for an EDTIB. Much of the Three Cs features are concentrated in the major national defence industries, especially in France, Germany and the United Kingdom. These industries also have varying degrees of international competitiveness. Broadly, France and Germany are competitive in land and sea systems whilst the United Kingdom is competitive in the aerospace sector. Other EU Member States have varying elements of the Three Cs in their national defence industries (e.g. Italy; Spain; Sweden). But the creation of a Three Cs EDTIB needs to address three issues:

1. The lack of an EU collective defence R&D effort capable of competing with the scale of US defence R&D spending.
2. The massive duplication and excess capacity in the national EU defence industries, reflecting each nation's continued commitment to supporting some form of national defence industry, leading to small-scale production for national markets.
3. The lack of an accurate data base on the EUs defence industries. Defence firms and industries need to be defined<sup>26</sup> and there is a need for reliable data on the size of the EUs defence industries (e.g. sales; employment) and their performance (e.g. defence R&D spending; productivity; defence exports by product group; profitability). Data are also needed on Europe's defence industry supply chains, especially where there are key monopoly suppliers which might be at risk of exit (i.e. suppliers needed for appropriate sovereignty and security of supply).

The sector analysis shows that Europe's defence industries continue to be characterised by too many small firms leading to excess capacity and that considerable opportunities remain for further re-structuring, especially in the land and sea systems sectors. In comparison, the US defence industry has a much smaller number of larger defence firms. The trend towards IT warfare means that there has been and will continue to be an increasing use of electronics in complex weapons systems. However, a sector analysis has its limitations since it tends to focus on re-structuring within each sector and neglects opportunities for re-structuring between sectors. Here, there are two general models of defence firms which represent alternative methods of economising on transaction costs. First, there is the aerospace and defence firm model which is represented by Boeing and EADS where each are large firms with a defence business and a substantial civil aircraft business.

---

<sup>26</sup> The definition of defence firms and industries is fraught with problems. For example, what proportion of defence sales in total sales constitutes a defence firm: is it over 50 percent; but what of firms such as shipping companies and airlines which currently might have zero defence business but which constitute surge capacity in a national emergency?

Second, there is the large specialist defence firm involved in air, land and/or sea systems as well as defence electronics. Examples are BAE, Lockheed Martin and Northrop Grumman. These are large defence firms able to achieve economies of scale, learning and scope with further potential for technology transfer from, say, aerospace to land and sea systems (e.g. application of stealth technology to tanks, AFVs and warships). Increasingly, defence firms have acquired electronics firms reflecting the greater emphasis on electronics inputs in modern defence equipment.

Initially, industrial re-structuring is most likely within *nation* states and will involve the land and sea sectors. *International re-structuring* is the next development. This might involve the creation of European-wide companies. There are also opportunities for EU collaborative programmes. There are two options. First, *government-led and dominated collaboration* of the type adopted for the EU aerospace industry. Second, *firm-led international collaborations or consortia* where firms make commercial decisions about their partnerships searching for profitable opportunities and seeking to economise on international transaction costs (e.g. naval sector examples of consortia). Where such international collaborations are dominated by private firms they will be based on market judgements, commercial criteria and entrepreneurship reflecting partners seeking to develop mutually-beneficial exchange.

There are opportunities for improving the efficiency of European collaborative programmes. Typically, the focus on work-sharing rules results in substantial inefficiencies. Future collaborations might be based around a small number of partners (e.g. two partners) with other nations joining the programme as 'associates' with no prior commitment to receiving specific technology and production work packages (c.f. the partnering arrangements for the US JSF/F-35 aircraft).

## **Conclusion**

National governments determine their defence markets and industries. EU nations with a national defence industry are likely to adopt a defence industrial strategy which will seek to retain key defence industrial capabilities within the nation state. Such national policies will affect the future development of the EDEM and EDTIB. Retention of key national defence industrial capabilities means that such capabilities cannot be opened to the EDEM; but these capabilities might become part of the EDTIB. Capabilities which are not part of the key capabilities which a nation wishes to retain provide opportunities for developing the EDEM (with nations willing to import non-key equipment).

The 2005 and 2007 EU policy initiatives on the EDEM and EDTIB signal a new era in European defence industrial policy. Previous policy initiatives have not affected the current size, structure, performance and ownership of the EU's defence industries and the policies of national governments. This is not to say that major EU policy initiatives cannot be effective. One

obvious example is Article 346 whose abolition would create a genuinely open EU defence equipment market. Article 346 allows Member States to protect their national defence industries: its abolition would create an EDEM comparable to the Single Market for civil goods and services and for civil public procurement.

Overall, the major drivers which have affected the current size, structure and performance of the EU's defence industries have been defence budgets, rising equipment costs, national defence industrial policies and industry supply side adjustments (via mergers/acquisitions and entry into foreign markets with the example of BAEs entry into the US defence market).

The EC and EDA face some major policy challenges in relation to the EDEM and EDTIB. These include:

i) *Conflicts between the EDEM and EDTIB.* Choices are needed either to restrict competition to firms from Member States only or whether to allow other firms from the rest of the world to enter EU defence markets (e.g. US defence firms). Competition might also threaten key defence industrial capabilities and the 'appropriate regional balance of capabilities needed for the EDTIB. In the absence of competition, privately-owned monopoly defence firms will have to be treated as regulated firms with the associated problems of determining prices, efficiency and profitability.

ii) *Maintaining key specialised defence industrial capabilities during troughs in development and production work.* These are specialist firms with no alternative uses for their plant and human capital but which are needed in the future (e.g. capability in nuclear-powered submarines; main battle tanks; aircraft carriers). Such specialist capabilities might be prime contractors or small and medium enterprises in the defence industry supply chain. Selecting which key capabilities to retain is only the starting point. Further issues arise about how to retain such capabilities (e.g. interim orders; mothballing of plants, etc), the costs of alternative retention policies, who decides and who will pay.

*Keith Hartley is Emeritus Professor in the Economics Department, University of York.*  
[kh2@york.ac.uk](mailto:kh2@york.ac.uk)

---

---

## Notes for Contributors

The focus of the journal is primarily on future security challenges rather than on current politico-military analysis. *Security Challenges* aims to contribute to innovative and practical thinking about security challenges of major importance for Australia as well as the Asia-Pacific and Indian Ocean regions. The journal's website can be found at [www.securitychallenges.org.au](http://www.securitychallenges.org.au).

Possible topics of interest include but are not limited to: emerging security threats and challenges in the Asia-Pacific and Indian Ocean; the security role of the major powers in 2010-30; the management of Australia's security relationship with the United States and other allies in 2010-2020; strategies for Australia's relationships with its neighbours; Australia's and the region's resource and economic security in 2015, the challenge of defence transformation in Australia and other countries; the potential for concepts such as Network-centric Warfare and Effects-based Strategy to enhance security; and strategies for managing and combating international terrorism.

*Security Challenges* welcomes submissions from any source. Early career scholars and new strategic thinkers are particularly encouraged to submit. Authors are strongly encouraged to submit manuscripts via email to [editor@kokodafoundation.org](mailto:editor@kokodafoundation.org), preferably in MS Word format. The receipt of manuscripts will be acknowledged within 7 days.

*Security Challenges* contains comments and opinions as well as regular articles. Recommended length for comments and opinions is 1000-3000 words, for articles 4000-7000 words. Articles exceeding 8000 words are unlikely to be published. An abstract of no more than 100 words and an 'about the author' note of no more than 50 words should accompany the submission.

Each manuscript must be accompanied by a statement that it has not been published elsewhere and that it has not been submitted simultaneously for publication elsewhere. Authors are responsible for obtaining permission to reproduce copyrighted material from other sources.

The refereeing policy for articles requires that the anonymity of the author of the article is preserved. The anonymity of referees, whose comments may be forwarded to the authors, is likewise preserved. The review process normally takes about 4-8 weeks. The editor is responsible for the selection and acceptance of articles; the opinions expressed in articles published and the accuracy of statements made therein are solely the responsibility of the individual authors. The editor disclaims responsibility for statements, either of fact or opinion, made by the contributors. The editor retains the right to condense articles.

Authors receive three free copies of the issue in which their article/comment/opinion appears as well as an electronic version of the issue in PDF-format.

All parts of the manuscript should be type-written and double-spaced. The manuscript pages should be numbered consecutively throughout the paper. Authors should follow the style used in this issue. A detailed style guide can be found on the journal's website at <http://www.securitychallenges.org.au/SCStyleGuide.pdf>. It is the author's responsibility to ensure that the submitted manuscript complies with the style guide. The editor reserves the right to reject manuscripts which do not accurately follow form and style requirements.

---

---

## About the Kokoda Foundation

The Kokoda Foundation has been established as an independent, not-for-profit think tank to research and foster innovative thinking on Australia's future security challenges. The foundation's priorities are:

- To conduct quality research on security issues commissioned by public and private sector organisations.
- To foster innovative thinking on Australia's future security challenges.
- To publish quality papers (The Kokoda Papers) on issues relevant to Australia's security challenges.
- To develop Security Challenges as the leading refereed journal in the field.
- To encourage and, where appropriate, mentor a new generation of advanced strategic thinkers.
- Encourage research contributions by current and retired senior officials, academics, business people and others with relevant expertise.

### Membership

The Kokoda Foundation offers corporate, full and student memberships to those with an interest in Australia's future security challenges. Membership provides first-release access to the *Kokoda Papers* and the refereed journal, *Security Challenges*, and invitations to Foundation events. Membership applications can be obtained by calling +61 (0)2 6295 1555 or downloaded from <http://www.kokodafoundation.org/join/join.htm>.



# Contents

---

## INDONESIA'S FOREIGN AND SECURITY POLICY

Jamie Mackie  
*China, Australia and Indonesia* ..... 1

Donald Greenlees  
*Unfinished Business:  
Reform of the Security Sector in Democratic Indonesia* ..... 5

Greta Nabbs-Keller  
*Growing Convergence, Greater Consequence:  
The Strategic Implications of Closer Indonesia and China Relations*.... 23

## COMMENT

Paula Hanasz  
*Easier Said Than Done: The Afghan Peace  
and Reintegration Program* ..... 41

## ARTICLES

Wilson Chun Hei Chau  
*Explaining China's Participation in Bilateral and Multilateral  
Military Exercises* ..... 49

Andrew Tan  
*East Asia's Military Transformation:  
The Revolution in Military Affairs and its Problems* ..... 69

Keith Hartley  
*Creating a European Defence Industrial Base* ..... 93

Security Challenges is a fully refereed journal.

[www.securitychallenges.org.au](http://www.securitychallenges.org.au)



## About the Kokoda Foundation

The Kokoda Foundation has been established as an independent, not-for-profit think tank to research, and foster innovative thinking on, Australia's future security challenges. Visit our website at [www.kokodafoundation.org](http://www.kokodafoundation.org)

ISSN 1833-1459

