



FOREWORD

The production of an Annual Security Outlook (ASO) at the Track I level based upon contributions from individual participating countries of the ASEAN Regional Forum was decided during the Sixth ASEAN Regional Forum (ARF) Ministerial Meeting in July 1999.

The production of the ASO over the last six years constitutes a concrete step forward to promote transparency, confidence building, mutual understanding and trust. The production of the ASO also facilitates the exchange of views among ARF participants, conducive to the process of eventually building lasting peace and stability in Southeast Asia and Asia Pacific region as a whole.

I am pleased to note an encouraging improvement in the number of contributions to this seventh volume of the ARF Annual Security Outlook. I am confident that this trend will continue. As the Chairman of the 13th ARF, Malaysia welcomes and appreciates the contribution from all ARF participants in this annual exercise. Perhaps future submission for ASO could become an obligatory standard among all ARF participants.

Lastly, I have the honour to present the seventh volume of the ARF Annual Security Outlook to the 13th ASEAN Regional Forum Ministerial Meeting.

Kuala Lumpur, 28 July 2006

(Dato Seri Syed Hamid Albar)
Chairman of the 13th ASEAN Regional Forum &
Minister of Foreign Affairs of Malaysia

**ASEAN REGIONAL FORUM
ANNUAL SECURITY OUTLOOK 2006
AUSTRALIA**

Overview

Australia remains reasonably positive about the global and regional strategic environment. In an increasingly globalised world, countries share not only interdependent economies, but also a greater stake in international stability. We have a common interest in maintaining international stability, upholding international norms and obligations, and in cooperating to address global and regional challenges.

While there remains scope for diplomatic disputes and tensions, Australia is encouraged by the relatively stable relations between major powers, including in our region. We welcome the United States' continuing strategic commitment to the Asia-Pacific, including through its alliances and partnerships, which we see as fundamental to regional security and economic well-being. Increasing economic and political engagement by China and India brings significant benefits and opportunities for the whole region, including Australia. The development of more open and cooperative links between the United States, Japan, China and India will be of fundamental importance to maintaining regional stability and prosperity.

Australia welcomes the increasing security-related dialogue and cooperation in regional bodies which complement the work of the ASEAN Regional Forum (ARF), including APEC, the IISS Asia Security Conference (the Shangri-La Dialogue) and the proposal for an ASEAN Security Community, which underlines ASEAN's commitment to a peaceful region. We also recall the commitment by East Asia Summit (EAS) leaders to foster strategic dialogue and promote cooperation in political and security issues.

While we are encouraged by these underlying trends, challenges to regional and global security remain. Australia is deeply concerned about the threats posed by international terrorism and the proliferation of weapons of mass destruction and missile technology, and the challenges presented by weak and unstable states. These inter-linked challenges are a significant concern in the Asia-Pacific region. While international counter-terrorism cooperation has prevented terrorist attacks and disrupted terrorist networks, terrorism remains a potent threat to the security of regional states. The focus of Australia's counter-terrorism efforts has been practical operation-level capacity building in key areas such as law enforcement, anti-terrorist financing, and border and transport security in South-East Asia. Similarly, we have focused our counter-proliferation efforts on practical measures such as the Proliferation Security Initiative (PSI), intended to intercept and disrupt illicit WMD trade, and regional outreach to reinforce existing international non-proliferation norms and counter-proliferation architecture. Australia has also

been invited to participate in a new G8 Global Initiative to Combat Nuclear Terrorism.

Australia regards security dialogue and cooperation as essential elements of our approach to promoting international security. A network of regular bilateral dialogues with eighteen regional and global partners provides an opportunity to strengthen mutual understanding and exchange views on security issues of common concern. Australia recently hosted the first ministerial-level Trilateral Strategic Dialogue with Japan and the United States to provide foreign ministers with the opportunity to discuss a wide range of global and regional security issues of mutual interest, and to strengthen trilateral cooperation in addressing contemporary security concerns.

Australia has a profound interest in the development of regional security architecture that is inclusive, promotes stability, security and economic prosperity throughout the region. Australia would welcome the evolution of the ARF from the region's principal forum for security dialogue into a body with the institutional and operational capacity to respond effectively and meaningfully to regional security developments. Australia strongly encourages efforts to enhance the role of the ARF Chair, as agreed by ARF Foreign Ministers in 2005, including by establishing an effective Friends of the Chair mechanism.

Specific issues of interest and concern

Terrorism

International terrorism continues to pose a serious and immediate threat to regional and global security. The attacks in London, the second Bali bombings in 2005 and the attacks in Mumbai demonstrated that despite some noteworthy counter-terrorism successes, terrorist groups retain the intent and capacity to strike and are evolving new approaches in response to less permissive operating environments. Terrorist networks are becoming more diffuse. Smaller and more autonomous cells are playing a greater role. Terrorists are using the Internet to their advantage, for political as well as logistical purposes.

In South-East Asia, Jemaah Islamiyah (JI) remains the greatest threat. Like terrorists elsewhere, JI is increasingly using pedestrian-borne devices in addition to the large-scale vehicle-borne suicide bombing tactics that have been favoured in recent years. JI is still able to tap into a broad regional network of likeminded extremists throughout the region and access external funding. Terrorists continue to move between countries of the region, especially by sea, to access training, refuge and logistical and operational support. There remain local level grievances or tensions which may be susceptible to being exploited by terrorist groups.

In recognition of the complexity, persistence and transnational nature of the terrorist threat, the Australian Government has embarked on a multi-faceted, long

term program of counter-terrorism cooperation with regional countries. This includes expanding to 12 countries of the region our network of bilateral counter-terrorism memoranda of understanding. These memoranda provide a basis for concrete bilateral cooperation in law enforcement, defence, intelligence, customs and immigration. Enhanced cooperation between agencies in these areas has helped to avert further attacks and prevent the spread of terrorist networks. A Joint Declaration with ASEAN also provides a framework for practical, working-level cooperation between Australian agencies and their counterparts.

Australia has recently announced a third package of new measures to help boost the capacity of regional countries to combat the evolving threat of terrorism. These measures will build on existing regional cooperation in law enforcement, intelligence and border control. They will expand regional cooperation to keep weapons of mass destruction out of the hands of terrorists and build regional capability for responding to actual terrorist attacks. They will also promote tolerance and counteract terrorist propaganda in response to growing recognition among regional governments of the need to address terrorism at the ideological level.

Outcomes from the February 2004 Bali Regional Ministerial Meeting on Counter-Terrorism (co-hosted by Australia and Indonesia) continue to contribute to regional counter-terrorism efforts. The Jakarta Centre for Law Enforcement (JCLEC), an Indonesia-Australia initiative, was opened in July 2004 and has now run over 40 courses and trained over 1000 regional law enforcement officers with a focus on counter-terrorism capabilities. Countries from the region and beyond are contributing financially to JCLEC's success. The two working groups established at the Bali meeting have continued practically focused efforts to strengthen law enforcement and legal cooperation in fighting terrorism. Australia and Indonesia will continue to work closely to strengthen regional counter-terrorism capacity including by jointly convening a sub-regional ministerial-level meeting in the second half of 2006 to strengthen and expand the scope of counter-terrorism cooperation among those countries in the region most directly facing the terrorist threat.

Regional forums, such as the ARF and APEC, continue to contribute political impetus to region-wide counter-terrorism efforts and to promote further practical cooperation in key sectors. The fourth ARF Inter-Sessional Meeting on Counter-Terrorism and Transnational Crime in Beijing in April 2006 provided a useful forum for participating states to discuss underlying factors which contribute to the spread of terrorism and to exchange experience in developing best practice in emergency response to terrorist attacks.

APEC made progress on a number of counter-terrorism and non-proliferation initiatives in 2005. It facilitated better coordination of regional counter-terrorism capacity-building efforts through a cross-analysis of individual APEC Counter-Terrorism Action Plans. It also took forward work to combat the terrorist threat

posed by Man-Portable Air Defence Systems (MANPADS). APEC members repeated their determination not to allow illicit nuclear activities in the region. Progress was also made in a wide range of transport, customs and border security initiatives.

WMD proliferation and arms control

Preventing the proliferation of weapons of mass destruction and their means of delivery is in the direct national security interest of all regional countries. Increasingly sophisticated and widespread WMD procurement networks have the potential to upset regional stability, threatening regional security and economic development. International regimes play an important role in preventing WMD proliferation and building confidence between states. Australia believes that further accession to or ratification of key international instruments – including the IAEA Additional Protocol, the Comprehensive Nuclear Test Ban Treaty, the Chemical Weapons Convention, the Biological Weapons Convention, and the Convention on the Physical Protection of Nuclear Material – would enhance regional security. Regular submission of annual returns under these instruments, where required, is also important.

Active support for the Nuclear Non-Proliferation Treaty remains of central importance. Australia will continue to press for the start of negotiations on a Fissile Material Cut-Off Treaty to end the production of fissile material for nuclear weapons and believes that a cut-off treaty should provide for measures to verify compliance.

Australia considers it important that regional countries take practical action to prevent WMD and ballistic missile proliferation. Consistent with United Nations Security Council Resolution 1540, Australia encourages regional countries to enhance their export control measures, and looks to prominent transshipping states, in particular, to be vigilant for cargoes that could contribute to WMD proliferation. Australia also encourages regional countries to review their domestic regulatory frameworks to ensure the effectiveness of their controls on sensitive and dual-use items. Australia is playing a part in international efforts to prevent the proliferation of chemical and biological weapons through its chairing of the Australia Group. Australia hopes more regional countries will subscribe to The Hague Code of Conduct against Ballistic Missile Proliferation, which includes an obligation to announce ballistic missile and space launches in advance. Australia sees this as a means of building confidence and encouraging restraint in respect of countries' ballistic missile programs.

Notwithstanding this framework of arms control and disarmament treaties and export control regimes, determined proliferators can and do find ways to circumvent these defences, underscoring the need for strong and direct action. Australia is a leading participant in the PSI, an informal arrangement among

countries which share non-proliferation goals to cooperate with each other, within existing international and national law, to intercept and disrupt illicit WMD trade. The PSI provides an opportunity for countries in the Asia-Pacific region to share information and develop capabilities to address proliferation in a practical way that reinforces and implements existing global non-proliferation norms and measures. Australia hosted a PSI air/ground exercise "Pacific Protector 06" in Darwin in April 2006. Australia will continue to work with others through the PSI and other means to send a clear message that WMD proliferation must stop.

The acquisition of WMD by any state, even those far removed from the region, has the potential to weaken global restraints on WMD and ballistic missile proliferation. Australia shares the wide international concern about Iran's nuclear program. At issue is not whether Iran should be able to pursue nuclear energy for peaceful purposes. The concern in the case of Iran is that it is pursuing the proliferation-sensitive technology of uranium enrichment, without any convincing justification, against a backdrop of repeated and serious failures to comply with its nuclear safeguards obligations.

DPRK's nuclear program

Australia, like other regional countries sharing close engagement with North Asia, regards the DPRK's pursuit of nuclear weapons as a fundamental threat to regional and global stability. Australia calls on the DPRK to recognise the strong political and economic integration that links the region's interests with security outcomes on the Korean peninsula, and to address these concerns through compliance with international obligations and norms. This includes a clear commitment by the DPRK to reverse its announced withdrawal from the Nuclear Non-Proliferation Treaty, to abandon its pursuit of nuclear weapons and accept an IAEA safeguards inspection regime. The DPRK's continued development of intercontinental ballistic missiles, and the provocative manner in which it tested those capabilities in early July 2006, represents a threat to international peace and security and is destabilising for the entire region.

The DPRK's missile tests have placed strain on an already deadlocked six-party process and cast serious doubt on the DPRK's commitment to the multiparty dialogue. The six-party talks is the most viable path for a peaceful resolution of the DPRK nuclear issue, but there has been no progress toward implementation of the 19 September 2005 Joint Statement, nor genuine DPRK commitment to the process. Consistent with the requirements imposed by UN Security Council resolution 1695, Australia urges the DPRK to reaffirm its moratorium on missile launches, refrain from actions that might aggravate tension and return immediately and without condition to the six-party talks alongside the other five willing parties.

The DPRK must recognise that it cannot continue to stall diplomatic talks while it develops its nuclear weapons and missile programs without serious international repercussions. Until the DPRK makes substantive progress on the nuclear issue, all States need to be consistent in their resolve to contain the regional security threat posed by the DPRK's nuclear weapons and missile programs. Consistent with the requirements imposed by UNSC Resolution 1695 states need to continue to implement vigilant export control regimes, to ensure that they do not supply, or assist in delivering to the DPRK, items that could advance nuclear or other WMD or missile programs. They should also refrain from procuring missiles and related technologies from the DPRK and prevent the transfer of financial resources in relation to the DPRK's missile and WMD programs.

MANPADS and small arms

Countries increasingly recognise the threat posed to civil aviation by the illicit transfer and unauthorised access to and use of MANPADS. In 2004 and 2005, the UN General Assembly adopted by consensus two Australian-sponsored resolutions on MANPADS, which encouraged member states to introduce or strengthen measures to ban the transfer of MANPADS to non-state actors, including terrorist and criminal groups. In December 2005, the Australian Foreign Minister announced an Australian MANPADS initiative. We will work with the international community to pursue this initiative, including through Australia's role as the 2006 Chair of the Wassenaar Arrangement. The Wassenaar Agreement developed export guidelines for MANPADS controls in 2003, with this standard endorsed in other forums such as the G8, OSCE, and APEC.

Under the initiative, Australia will undertake outreach to encourage the practical implementation of MANPADS control measures equivalent to the Wassenaar Arrangement's guidelines. Through conferences, seminars and bilateral outreach, we will encourage regional governments to cooperate and exchange information to counter MANPADS proliferation. We propose to hold a Ministerial meeting on MANPADS in Australia in early 2007, in advance of the APEC Leaders' Meeting in Sydney in September of that year.

Illicit proliferation of small arms and light weapons (SALW) is a pressing security concern in the Asia Pacific region. Australia is fully committed to implementing the UN Programme of Action, which provides a framework for eradicating the illicit SALW trade. Australia encourages regional countries to actively implement the Programme. We continue to provide practical assistance by constructing armouries and magazines for regional defence and police forces, as well as providing training.

Maritime security

Maritime security is critically important to the economies of regional countries. We note the growing regional and global focus on all aspects of maritime security, and recall that ARF Ministers endorsed statements on border security, piracy and other threats to maritime security in 2003, and a statement on strengthening transport security in 2004.

Australia recognises that the primary responsibility for maritime security lies with the relevant littoral states, and welcomes activities and initiatives that strengthen the capacity of littoral states to enhance maritime security in the region. Australia is closely involved in several bilateral and multilateral initiatives with regional partners to enhance capacity in law enforcement, port and transport security and border management.

Australia strongly supports the Regional Cooperation Agreement on Combating Piracy and Armed Attacks on Ships (ReCAAP) as a valuable means of building regional confidence, with the potential to bring together navy, coastguard and civilian parties to improve maritime security capacity across the region. We also welcome recent initiatives by regional states to conduct joint naval and air patrols for critical sea lanes.

Australia is particularly concerned about all aspects of maritime security in the Sulu and Celebes Seas, a key route for our trade in the region. Australia notes that this tri-border area is receiving increased attention from countries, both within and beyond the region, concerned with maritime security, and would welcome further proposals for cooperative activity. Australia encourages further initiatives to improve the coordination of capacity building activity between countries that depend on important sea lanes in the region.

Energy security

Energy security is a growing concern for the region, which is heavily dependent on oil and gas imports. This dependence, and the increasing demand for energy, has the potential to intensify competition between regional states, and increases the security threat to vital sea lanes, such as the Malacca Strait and the Sulu and Celebes Seas. Australia believes that regional states have a common interest in cooperation to improve energy security. We note the growing cooperation in APEC and in the Asia-Pacific Partnership on Clean Development and Climate (AP6) on the economic and environmental aspects of energy trade, and welcome the increasing focus on energy security as a political and strategic issue in the region.

People smuggling and trafficking

People smuggling and trafficking remain serious threats, although determined cooperative efforts have contributed to a significant reduction in maritime people smuggling activities in the region. Australia continues to pursue a comprehensive whole-of-government approach to combat people smuggling and trafficking and to work with other countries in the region to address these crimes. This approach includes bilateral and regional capacity building and law enforcement activities. The Bali Process on People Smuggling, Trafficking in Persons and Related Transnational Crime has provided an excellent framework for regional cooperation on these priority issues.

Avian influenza

Global health authorities are increasingly concerned that a new influenza virus with the potential to cause a pandemic will emerge and spread with unknown consequences. Australia is working bilaterally with countries in the region to improve frontline surveillance and to strengthen underlying health and emergency preparedness for outbreaks of avian influenza. Regionally, the primary focus of Australia's activities is APEC. Australia led and funded an APEC desktop simulation exercise on 7-8 June 2006, which tested regional preparedness and communication networks. Globally, the Australian Government is working actively through relevant multilateral organisations (WHO, FAO, OIE) and complementary initiatives such as the International Partnership on Avian and Pandemic Influenza (IPAPI).

The Pacific

Australia's active policy approach to the Pacific is based on concerns about the region's capacity to address contemporary governance and security challenges, and our awareness of the social and financial costs of instability and - at the extreme - of state failure, including greater vulnerability to transnational crime and terrorism. Key elements of our approach include a greater willingness to address challenges directly, with the support of other members of the Pacific Islands Forum (PIF), and a strong emphasis on the security, economic and social benefits of good governance.

Australia's role in leading the Regional Assistance Mission to Solomon Islands (RAMSI) is an important demonstration of Australia's commitment to regional security. Australia and New Zealand have briefed members of the ARF on the significant progress achieved by RAMSI. Over the last three years, law and order have been restored and government finances stabilised. Despite these gains, much remains to be done and challenges still lie ahead. The recent unrest experienced in the country, following the election of a new Prime Minister, underlines the fragility of the situation and the importance of our long-term commitment.

To help Papua New Guinea address its core development challenges, in June 2004 Australia and PNG agreed on an Enhanced Cooperation Program (ECP). Around 40 Australian civilian deployees are now achieving good outcomes in key PNG government agencies on issues relating to the economy and finance, governance and the prevention of corruption, law and justice, border management and transport security. Both Governments reaffirmed their commitment to the objectives of the ECP at the Australia-PNG Ministerial Forum in December 2005. Australia and PNG are continuing discussions on the contents of a possible revised package of policing assistance, following the withdrawal of Australian police last year as a consequence of a PNG Supreme Court ruling that the legal basis for the deployment was unconstitutional. Australia is supporting PNG's preparations for national elections due in mid-2007 through our Electoral Support Program.

Apart from bilateral efforts, we are encouraging the pooling of regional resources and working to strengthen regional institutions. We are working closely with Pacific Island countries and the PIF Secretariat to implement the Pacific Plan adopted by Pacific Islands Forum leaders at their meeting in Port Moresby in October 2005. We expect the Plan to create stronger and deeper links between countries in the region and identify sectors where the region would benefit most from sharing resources of governance and aligning policies in the priority areas of good governance, security, economic growth and sustainable development.

East Timor

East Timor's security institutions received a serious setback with the outbreak of violence in Dili and elsewhere in the country in April 2006. This has necessitated the involvement and assistance of the international community, which will continue for the foreseeable future. In the first instance, this involvement has taken the form of an International Stabilisation Force, which deployed to East Timor at the invitation of East Timor's leaders and which was tasked with restoring stability. In the longer term, East Timor will require assistance to rebuild its security forces with the ultimate goal of East Timor again taking responsibility for its own security.

Australia welcomes the continued productive relationship which exists between Indonesia and East Timor, including on border management issues. This relationship has developed sufficient resilience to have withstood the recent difficulties experienced by East Timor, and as a result has contributed to improved regional security. We encourage the finalisation of border management-related issues and protocols as soon as possible.

Law and order issues, including transnational crime, smuggling and illegal people movements across the border will remain major challenges for East Timor.

Australia will continue to offer bilateral assistance to East Timor to improve and strengthen capacity in governance and will cooperate fully with any international or multilateral efforts to assist East Timor.

Cross-Strait Relations

Australia maintains a firm one-China policy. Adverse developments in cross-strait relations would impact directly on the region's security and economic well-being. Australia believes that, pending a peaceful resolution of differences, the status quo should be maintained, and both sides encouraged to avoid provocative or unilateral steps that might be misunderstood or lead to increased tensions. It is important that countries in the region encourage mainland China and Taiwan to look for opportunities for constructive dialogue leading to a peaceful resolution of their differences.

South Asia

Security in Afghanistan remains fragile and the challenges to state authority are considerable. At the same time, elections to the Lower House, the inauguration of the National Assembly and its commencement of parliamentary business have constituted a further important step in Afghanistan's transformation. The reduction in tension and the building of confidence between India and Pakistan are having a positive impact on regional security and stability. However, ongoing terrorist violence has the potential to disrupt the positive trend. Recent developments in Nepal – the reinstatement of parliament following a period of civil unrest and the declaration of a ceasefire with the Maoists – are welcome, but the situation there remains volatile. Australia has welcomed Bangladesh's recent successes against terrorist groups, but remains concerned at the potential for problems in that country to spill over to the region. The cancellation of peace talks and an increase in violence, including suicide bombings, in Sri Lanka in April 2006 have put strong pressure on the 2002 ceasefire agreement.

Indonesia

Australia and Indonesia continue to work closely to address common security threats. The bombings in Bali in October 2005 which caused the deaths of 20 people – 15 Indonesians, four Australians and one Japanese – were a terrible reminder of the shared threat of terrorism in our region. Australia welcomes the Aceh peace agreement negotiated in 2005 and the efforts of the Indonesian Government and Acehese groups towards lasting peace in Aceh. Australia supports strongly Indonesia's territorial integrity including its sovereignty over Papua. Australia does not support separatism and considers full and effective implementation of special autonomy the best way to meet community needs in Papua.

Myanmar

Australia continues to be very concerned about the situation in Myanmar. There has been no movement by authorities to address the need for genuine political reform, to respect human rights, or to arrest continuing economic decline. Australia urges Myanmar to commit itself to national reconciliation through dialogue with all key political parties, including the National League for Democracy, and ethnic groups. We again call for the immediate and unconditional release of all political prisoners, including Aung San Suu Kyi. We welcome ASEAN's efforts in encouraging Myanmar towards political reform as a contribution to long-term stability in the region, and invite other ARF members to lend support to these efforts.

**ASEAN REGIONAL FORUM
ANNUAL SECURITY OUTLOOK 2006
CANADA**

Globalization has connected people and places in ways that were previously unimaginable, and has blurred the lines around national economies. While sovereign states remain the fundamental building blocks of international society, they share the landscape with a host of other actors. In this environment, an expanding international commitment to the principles of human rights, democracy and the rule of law offers the greatest hope for unprecedented levels of security, prosperity and quality of life worldwide. Nevertheless, challenges remain. Threats have emerged and continue to arise from unconventional sources. Security and prosperity remain unfulfilled dreams for many around the world, and democratic systems of government are often under threat. Our current institutions of governance continue to struggle to address complex problems, while ensuring that the principles of transparency and accountability are reflected.

Canada remains committed to making a distinctive contribution to a safer world. Our efforts are directed at helping to build a more secure world, in particular with regard to fragile states, counter-terrorism and transnational crime, the proliferation of weapons of mass destruction and human security. Canada's most recent budget, tabled on 2 May 2006, provides CDN \$1.4 billion over two years for policing, border security and public safety. The Government also recently announced a close to CDN \$17 billion investment to build a stronger military that is capable of defending Canada's sovereignty at home, and meeting Canada's military obligations abroad.

Canada will continue to work within the ASEAN Regional Forum (ARF) to address security challenges in Asia-Pacific and beyond. The *Annual Security Outlook* is an important contribution to transparency and confidence building among ARF partners, and is a useful tool for sharing perspectives and information about activities at national, regional and sub-regional levels in support of agreed priorities. Building on our 2005 submission, Canada's 2006 *Annual Security Outlook* outlines Canada's activities in a number of areas of direct interest to the ARF and proposes areas for possible cooperation.

The Regional Security Environment

While the region is largely peaceful, many new global threats to security are present in Asia-Pacific. **Terrorism and transnational crime**, including smuggling of migrants and trafficking in people and drugs, are increasingly

threatening the security and livelihood of the region and its neighbours, underscoring the need for strengthened practical regional cooperation and capacity development. The need to ensure that weapons of mass destruction do not spread to states or terrorists is an international responsibility, recently entrenched by the UN Security Council. **Non-proliferation and disarmament** remain fundamental pillars of our common commitment to international peace and security. The recent **US-India** initiative on **civil nuclear cooperation**, assuming it meets approval multilaterally and in the US, will have significant implications for the nuclear non-proliferation regime. Multilateralism has been challenged by dramatic changes in the security climate, and there is a clear need to make our systems stronger and more responsive. Strict verification, as well as a concerted international response, is the key to strengthening non-proliferation and disarmament norms and mechanisms.

This is particularly true in **Asia-Pacific** given recent revelations of technology transfer, the continued rise in the number of indigenous development programs and new exporters, significant advancements in some national missile programs, and ongoing tension over the **DPRK's** nuclear weapons programs and delay in returning to the Six Party Talks. Conflict and instability continue to affect other countries of the region, although improvements are certainly evident. A military offensive by the army in eastern **Burma** underlines the ongoing instability in that country, with the consequent dislocation and refugee flow unsettling neighbouring countries. Absent any progress toward democratic transition, a peaceful resolution of differences appears more distant than ever, while human rights abuses and forced labour remain prevalent and Aung San Suu Kyi languishes under a renewed detention order. There have been slow and modest improvements in **India-Pakistan** relations through the **Composite Dialogue**, including re-established cross-border transportation and India's phased withdrawal of its troops in the **Jammu and Kashmir** region; however, concerns remain over insurgent activity and narcotics trade along the porous **Pakistan-Afghanistan** border. Recent events in **Timor Leste**, which resulted in the declaration of a state of emergency and arrival of international peacekeepers, point to the continued imperative for security sector reform and consolidation of democracy in this nascent country. **Sri Lanka** is currently in a situation of low-intensity conflict, and the security situation has deteriorated seriously. With the peace process stalled, the key now is to get the parties back to the table. Other factors to consider are the increasingly determinant role **China** is playing in security discussions across the region, and the desire of **Japan** to undertake greater involvement in peace and security activities such as peacekeeping and post-conflict reconstruction.

The proliferation and flow of **small arms and light weapons**, the weapons of choice in most current armed conflicts in the region, continues to result in the killing of an estimated 500,000 people a year in conflict situations around the world and represents a major threat to human, regional and global security.

Anti-personnel landmines and other explosive remnants of war still cause thousands of deaths and injuries each year, which, in addition to the human cost, also have a devastating impact on economic development, especially agriculture. It is only through total eradication of anti-personnel mines that we can stop the catastrophe these weapons create. The spread of **infectious diseases**, as we have seen with the Avian flu, and earlier with SARS, also poses a significant risk to both the physical and economic health of the world's citizens.

What role for the ARF?

Since the last ARF ministerial meeting in Vientiane in 2005, there have been promising developments on the future of the ARF, in particular the ARF's efforts to move towards its preventive diplomacy phase. The decision to establish the ARF Unit within the ASEAN Secretariat, and the recommendation that the ARF Inter-sessional Support Group (ISG) Meetings address preventive diplomacy issues as well as confidence-building measures, have proven successful. These developments will facilitate ongoing efforts to enhance the role of the ARF Chair to play a leadership role in advancing the ARF's preventive diplomacy and its capacity to address security challenges more effectively.

From maritime security to disaster relief, the confidence-building measures (CBMs) meetings held in the current ARF year as well as the Inter-Sessional Meeting on Counter-Terrorism and Transnational Crime (ISM on CT-TC) provided useful recommendations for increased ARF cooperation and practical measures to address these specific issues. Other CBMs, including a seminar on small arms and light weapons and an export licensing experts meeting (which Canada co-chaired with Singapore in 2005) enabled ARF members to share information, identify best practises and undertake cooperative measures to address the ranges of security issues facing the region.

Evolving regional integration efforts within Asia-Pacific, including the newly established **East Asia Summit**, have resulted in the emergence of additional fora for dialogue and cooperation. The rising influence of the **Shanghai Cooperation Organization** and the greater focus of **APEC** on security issues, in particular, make it critical for the ARF to remain focussed on areas where it has a clear value-added in terms of enhancing regional security. Canada continues to believe that an agreed **ARF work plan** would have the advantage of clearly identifying the outcomes we want to achieve as well as building towards results with clear links to the ARF's broader and long term agenda.

Counter Terrorism and Transnational Crime (CT-TC)

The global threat of terrorism remains high, as demonstrated by continuing terrorist incidents in the Asia Pacific region and around the world. This is a phenomenon that requires a global response. The first line of defence in countering terrorist recruitment is the promotion of accountable, democratic governments that respect human rights and the rule of law, allow for peaceful dissent, take action to fulfill the aspirations of their people, promote tolerance and respect diversity. The promotion of human rights and democracy will remain a core priority for Canada in all fora dealing with counter-terrorism, including ARF.

No country is immune to the threat of terrorism. **Canada** is acting decisively to protect Canadians and is playing its part in the global fight against terrorism. Canada has an operational and legal framework that can react quickly and effectively – a key element of our multi-faceted approach to fighting terrorism – which has enabled us to disrupt a terrorist network. On 2 June 2006, 17 individuals in the Greater Toronto Area were arrested and charged with terrorism offences under Canada's Anti-Terrorism Act. This has been, and continues to be, a complex and intensive investigation involving many partners, including the Royal Canadian Mounted Police (RCMP), the Canadian Security Intelligence Service (CSIS), Toronto's Integrated National Security Enforcement Team (INSET), and local law enforcement agencies. Canada is a free and democratic society and our diversity of cultures contributes to our vibrant and dynamic country. Canada also stands firm in the fight against terrorism, and we will continue to pursue our efforts in this regard.

We will also continue to promote international efforts to counteract terrorist organizations and their support networks. Canada is working with its partners in international and regional organizations to achieve the full implementation of the 13 international conventions and protocols on terrorism, including the UN Convention for the Suppression of the Financing of Terrorism. Canada welcomed and signed the UN Convention for the Suppression of Acts of Nuclear Terrorism in 2005 and will work with others to conclude the UN Comprehensive Convention at the earliest possible opportunity. Canada also welcomed the recommendations of the UN Secretary General's High Level Panel and the Secretary General's proposal for a comprehensive strategy to combat terrorism.

Terrorist organizations can and do exploit the proceeds of international crime and criminal methods to support their activities. As our world becomes more interconnected, global criminal networks have sprung up that are involved in the narcotics trade, the smuggling of migrants, trafficking in persons, the illicit trade in weapons, money laundering, identity theft, commercial fraud, extortion and cyber-crime. Civil wars in fragile states have been exacerbated by the illicit

import of weapons and the illegal export of natural resources such as diamonds, timber and other highly valued resources.

Some examples of Canadian CT-TC activities in the region over the past year include: co-chairing with Thailand the Third ARF ISM on CT-TC on document security and integrity, information sharing and intelligence exchange; legislative drafting assistance, the provision of anti-money laundering and anti-terrorism financing policy, training to enhance response capabilities to chemical, biological, radiological, or nuclear (CBRN) incidents in some ASEAN countries; and various other policy and law enforcement programming. In September 2005, the Government of Canada created the Counter-Terrorism Capacity Building Program. Through this program, Canada will continue to provide counter-terrorism related training, resources and expertise to ARF partners to allow enable them to prevent and respond to terrorist activity, in a manner consistent with international human rights norms and standards.

Canada is committed to working with ARF partners to combat threats to the safety and security of the region. From Canada's perspective, the ARF could build upon its valuable work on CT-TC issues to date by working to develop practical measures and best practices to effectively implement current international conventions and protocols related to terrorism and transnational crime, and identify opportunities for regional capacity building. This should include the implementation of the recommendations from the ISM on CT-TC, as well as the establishment of a regional CBRN response support network, an area where the ARF could develop a valuable expertise in the region. We also encourage the ARF to consider the recommendations from the various meetings held on maritime security, and to encourage participation in collaborative initiatives such as the maritime security shore-based table top exercise proposed by Singapore, as a means to complement the excellent work currently done by the littoral states in the region to combat piracy, and by other organizations such as APEC on ship and port security.

Non Proliferation, Arms Control and Disarmament

A robust global non-proliferation, arms control and disarmament (NACD) architecture is an essential framework for international peace and security, including the progressive reduction of nuclear weapons and the elimination of other weapons of mass destruction (WMD), limitations or bans on excessively harmful or indiscriminate weapons and efforts to control the proliferation of missiles and missile technologies. Canada has a longstanding commitment to strengthened international efforts to ensure that WMD do not spread to states or terrorists prepared to use them. Strengthening international export control regimes and supporting efforts to ensure the ability of countries to enforce effective and comprehensive export controls on proliferation-sensitive

technologies, remain a priority for Canada. In this regard, Canada supports the effective implementation of UN Security Council Resolution 1540.

Canada will continue to play a major role within the international community to strengthen regional and multilateral NACD norms and mechanisms. Canada is an active State party to all of the major international treaties in the NACD area, including the Nuclear Non-Proliferation Treaty (NPT), the Biological and Toxin Weapons Convention (BTWC), the Chemical Weapons Convention (CWC), the Comprehensive Nuclear-Test-Ban Treaty (CTBT), the Convention on Certain Conventional Weapons (CCW) and its related protocols and the Ottawa Convention on the Prohibition of the Use, Stockpiling, Production and Transfer of Anti-Personnel Mines (Ottawa Convention). Canada also participates in the Proliferation Security Initiative (PSI), is a member in all export control regimes and is a founding subscriber to the Hague Code of Conduct against Ballistic Missile Proliferation (HCOC). We continue to strongly support the strengthening of compliance and verification mechanisms, such as nuclear safeguards implemented by the International Atomic Energy Agency (IAEA), and the ongoing development of the International Monitoring System for the CTBT.

In the wake of an inconclusive 2005 NPT Review Conference and other recent challenges, Canada will work to strengthen the NPT's authority and integrity and to strengthen the Treaty's commitment to non-proliferation, disarmament and the peaceful uses of nuclear energy. Canada will continue to address issues of non-proliferation, counter-terrorism, disarmament, and nuclear security through its participation in the G8-led Global Partnership Against the Spread of Weapons and Materials of Mass Destruction, aimed at addressing the Cold War legacy of weapons and materials of mass destruction, to prevent access by terrorists or countries of proliferation concern. Canada, which is proud to have initiated this important multinational undertaking to enhance international security and stability, pledged up to CDN \$ 1 billion over the Partnership's 10 year lifespan, and is actively engaged in project implementation in all areas (chemical weapons destruction, nuclear submarine dismantlement, nuclear and radiological security, redirection of former weapons scientists and biological non-proliferation). Canada encourages all participants to turn their pledges into concrete actions, so that the Partnership can fulfil its goals. Canada is pleased that G8 countries have been joined by a number of other donor partners, including **Australia, New Zealand** and the **ROK** among ARF members.

The ARF can play a valuable role in promoting NACD cooperation through regional initiatives, including through the development of practical measures and best practices to support national implementation of international NACD treaties and norms, and through support for the universal application of the International Atomic Energy Agency (IAEA) safeguards system. The ARF could work to universalize key NACD instruments in the region, including both international

treaties (such as the Comprehensive Nuclear-Test-Ban-Treaty), as well as other arrangements such as the HCOC. Those ARF members who are also members of the Conference on Disarmament (CD) could reaffirm their political commitment to reinvigorating the work of the CD, and ARF members could also consider joining the PSI. One area where the ARF could have particular value-added is in increasing the effectiveness of national procedures for the implementation of effective export licensing measures. In this regard, Canada is pleased by the concrete results achieved at the ARF Export Licensing Experts Meeting we co-hosted with Singapore in November 2005. The meeting resulted in a regional contact list of export licensing experts and a set of best practices that should be endorsed at the 2006 July ARF Ministerial.

The High-Level Panel report and the United Nations Secretary General's response in his report entitled "In larger freedom: towards development, security and human rights for all", set out an ambitious agenda on NACD issues, and regional organizations have an important role to play in advancing these goals. Similarly, the Secretary General has highlighted many human security issues which require increased cooperation and action on the part of the international community.

Human Security

Human security issues have become more prominent in national and regional security discourses in the ASEAN region. Human security entails a people-centred approach to foreign policy which recognizes that lasting global and state security cannot be achieved until people are protected from violent threats to their rights, safety or lives. Past human security successes include the banning of landmines (Ottawa Convention) and the creation of the International Criminal Court. More recently, world leaders at the September 2005 UN Summit forged an historic consensus on concept of the "responsibility to protect" which includes both a national responsibility to protect civilians as well as a subsidiary responsibility on the part of the international community to take action when national authorities are failing to do so. But pressing issues remain. For instance, each year more than 500,000 people are killed by the 640 million small arms and light weapons in the world today. Many more people fall victim to the indirect, but no less lethal, effect of these weapons as obstacles to humanitarian assistance and sustainable development.

A related issue is the importance of tackling the financial bases of conflict. Since the end of the Cold War, civil wars have increasingly had clear economic dimensions, whether through diamonds in Sierra Leone and Angola, tropical timber in Liberia and Cambodia, or narcotics in Colombia and Afghanistan. Positive developments in dealing with war economies include the Kimberley Process, which established an international certification scheme for rough

diamonds that tightens controls over the trade that now includes 45 participants, including 13 ARF member States. There is growing evidence that the scheme successfully helps prevent the trade of "conflict diamonds".

Driven by a deep concern that the deliberate death and displacement of civilians remains an active aim of combatants in a significant number of conflicts, Canada has been a longstanding and vocal advocate for the legal and physical protection of civilians. Canada has steadily sought to promote a protection of civilians agenda, including at the UN. This includes specific initiatives to address impunity, prevent sexual exploitation of crisis affected populations, promote the safety of aid workers and encourage humanitarian access. Canada has likewise initiated discussions on civilian protection at the Commonwealth, la Francophonie and the G8. Since 2004, initiatives supported by Canada have sought to build on earlier efforts, focused on creating broader participation and support for the protection of civilians agenda among states, international organizations and NGOs. This has been achieved through the promotion of policy knowledge, advocacy and main-streaming of civilian protection issues, as well as through increased support for relevant actors to reduce the impact of conflict on civilians.

More effective international responses to catastrophic violations of international humanitarian law and human rights is a key issue confronting the system of collective security. Both the High-Level Panel report and the UN Secretary General's response have reaffirmed the responsibility of the state to protect its citizens from threats to their security, and the subsidiary responsibility of the international community to act in those cases where the state is unable or unwilling to fulfill this fundamental responsibility. Canada has been a leading advocate for more effective international responses to situations of genocide, war crimes, ethnic cleansing and crimes against humanity, in particular by promoting the concept of "the responsibility to protect". The ARF can play a valuable role by promoting an ongoing dialogue around the "responsibility to protect" principles in a regional context as well by considering concrete actions that could be taken at the national and international level to put these principles into practice.

Multilateral organizations, including regional organizations, have become key fora for advancing the human security agenda internationally. The ARF could play a role in activities to improve human security in the region through technical assistance to support adherence to and implementation of international treaties such as the **Rome Statute of the International Criminal Court**. Similarly, the ARF could play a key role in advocating for universal adherence to the **Ottawa Convention**. The ARF could also support national and regional level implementation of the **UN Programme of Action to Combat the Illicit Trade in Small Arms and Light Weapons in All Its Aspects**. Institutional exchanges and linkages with other regional organizations on regional approaches to human security issues, such as the OSCE, the OAS, the Inter American Drug Abuse

Control Commission, the Consultative Committee of the Inter-American Convention Against the Illicit Manufacturing of and Trafficking in Firearms, Ammunition, Explosives and Other Related Materials and the Inter-American Commission on Human Rights would be valuable.

At the United Nations, the newly-created Peacebuilding Commission is finally about to begin its work. The ARF, with seven member states on the Commission's Organising Committee in the first term, could play an important role in establishing effective methods of work for the Commission and terms of reference for the Peacebuilding Voluntary Fund, as well as ensuring the required level of concentration for the agenda. There is also a potential for ARF to take a lead role in ensuring peace and human security, as well as in sustaining UN or international efforts over the long term at the regional level.

For its part, Canada has supported a number of human security cooperation initiatives in the Asia-Pacific region, including training in human rights and capacity building for national human rights institutions; training and awareness on the ICC regime; research on education as a security threat and conflict prevention tool; anti-trafficking awareness; elections support; and a seminar on civilian police. Furthermore, in the last year, Canada has undertaken two missions to the region led by General (Retired) Maurice Baril, former Canadian Chief of the Defence Staff, (one to Vietnam, Singapore Malaysia, and another to India and Pakistan), to advocate for those States to join the Ottawa Convention.

Fragile States: the Role of Peace Support Operations

Among the emerging threats we face are those resulting from weak, ineffectively governed states. Canada's strategy to address the multiple challenges posed by fragile states is focused, first and foremost, on prevention: through development strategies, support for human rights and democracy, diplomacy to prevent conflict, and contributions to build human security.

Recent conflicts and emergencies have taught us that we need to develop an integrated approach in responding to international crises when they occur, so that military operations, police and civilian assistance form part of a coherent operational plan. Military intervention has to be rapid, so as to stabilize the situation on the ground and restore security for the local population. The stabilisation of post-conflict societies needs to be undertaken in parallel with efforts to re-establish effective public institutions, law enforcement and judicial systems, education and health care, functioning legislatures, governance and regulatory regimes. Such multi-faceted action sets the stage for long-term

economic development, through international assistance and private sector initiatives.

Canada's experiences in the Balkans, Sudan, Afghanistan, Haiti and, most recently, following the Indian Ocean tsunami and earthquakes in Pakistan and Indonesia, clearly demonstrate the importance of a well-coordinated and rapid response to international crises. In order to facilitate this process, in September 2005 Canada created a Stabilization and Reconstruction Task Force (START) and a Global Peace and Security Fund (GPSF) of CDN \$100 million per year for the next five years. These initiatives will enable the Government of Canada to ensure timely, coordinated responses to international crises requiring effective whole-of-government action and to plan and deliver coherent, effective conflict prevention, crisis response and stabilization initiatives in fragile states.

Of particular relevance to the ARF, Canada is implementing a whole-of-government strategy to address the challenges of **Afghanistan** in a holistic way, to ensure robust, well-coordinated interventions, to maximize the results of Canada's investment and to ensure better protection to Canadians serving at the front-lines of our engagement. With our integrated approach consisting of diplomats, the Canadian Forces, development experts and civilian police, Canada is helping the Afghan people bring stability to their country, strengthen governance and reduce poverty. Our multi-faceted contribution consists of: nearly CDN \$1 billion in development assistance through to 2011; the establishment of a permanent Embassy in Kabul; deployment of a Provincial Reconstruction Team (PRT) in Kandahar in August 2005; command of the multinational brigade headquarters in southern Afghanistan until November 2006, in preparation for the transition to the NATO-ISAF mission in summer 2006; and the deployment of more than 2300 Canadian Forces in support of operations in Southern Afghanistan. Complementary civilian and military engagement help deliver concomitant support to Afghan governance and development under an umbrella of security.

The speed with which we intervene, together with the right mix of assistance, can be crucial in saving lives in a crisis situation. **Darfur** is the latest example of a crisis that requires concerted international action and where a regional organization, the African Union, is playing a leadership role. Canada's activities in Darfur are also based on a whole-of-government approach involving diplomatic activity, development and humanitarian aid, and support for improving the security situation through defence and civilian police involvement. In May 2006, Canada announced a significant increase of CDN \$40 million in its contribution for Darfur to support both humanitarian assistance and international efforts toward peace and stability. Since September 2004, Canada has contributed a total of CDN \$320 million in support of diplomatic, humanitarian and African Union-led efforts to end the violence and bring peace to the people of Sudan.

From Canada's perspective, ARF members must consider practical ways to collaborate in terms of training for and participation in complex peace support operations, involving both civilian and military actors. To this end, Canada has been pleased to provide training support to some of our ARF partners through our **Military Training Assistance Program**. We also welcomed the recent Regional Peacekeeping and Peacebuilding Conference held in Vancouver in March 2006 under the auspices of the Council for Security Cooperation in the Asia Pacific. These sorts of exchanges of experiences and best practices, as well as the creation of peace support training programs between ARF countries, can make an important contribution to building regional capacity for peace support operations and promote a better coordination of efforts within peace support operations.

Cooperative Conflict Prevention

There is a general consensus within the ARF that preventive diplomacy can contribute to preventing disputes and conflicts from arising between states that could pose a threat to regional peace and stability. The time is ripe for the ARF to move towards building concrete capacity for cooperative conflict prevention within the region. This capacity building should focus on the provision of technical assistance to member states, and take a cooperative, problem-solving approach. In this regard, Canada welcomes the recent discussions within the ARF on practical ways to enhance institutional support to the Chair and the decision to create an **ARF Unit** within the ASEAN Secretariat which responds to the needs and interests of all ARF members. The proposal to create an **ARF Fund** represents another potentially useful tool to support ARF activities in this area. In the development of a proposed annual work plan, the ARF should consider how best to provide the Chair and the Unit with the capacity to coordinate **cooperative preventive diplomacy** initiatives.

Investing in conflict prevention will contribute to preventing costly peace support operations. In this regard, the ARF should seek to strengthen partnerships with other regional organizations with experience in preventive diplomacy and conflict resolution, such as the Organization for Security and Cooperation in Europe (OSCE) and the Organization of American States (OAS), in order to promote cooperative, problem-solving approaches based on the exchange of best practices and expertise. In addition, while the ARF is notably the primary official multilateral political and security forum in the region, we should be mindful of the roles played by other regional fora where many ARF members also participate, such as APEC and the East Asia Summit, and seek opportunities for synergy where appropriate.

Transparency Measures

The international community has made important advances in promoting **transparency in the area of conventional arms** through two voluntary global instruments: the UN Register of Conventional Arms and the instrument of standardized reporting on military matters, including transparency on military expenditures. The UN Register has set an example for regional initiatives, such as the landmark Inter-American Convention on Transparency in Conventional Weapons Acquisitions, which entered into force in 2002 and which requires all OAS states to provide annual reports to the OAS Depository on imports and exports of conventional weapons covered by the UN Register, and to notify the Depository of acquisitions of certain conventional weapons within a specified time frame.

While recognizing that the ARF is not in a position to adopt such a legally-binding instrument as the OAS Transparency Convention, it could support global transparency efforts through technical exchanges aimed at **facilitating adherence and implementation of international transparency instruments** (the UN Register, the instrument of standardized reporting on military matters and the UN Register on Conventional Arms (UNCAR)). The ARF could also consider the development of a **voluntary regional transparency instrument**.

One important contribution to enhanced transparency is the sharing of information about national security and defence programs and policies. From Canada's perspective, the Canadian Forces continues to serve Canadians in the areas of search and rescue, disaster relief and support to other government departments such as the Fisheries and Environment departments, as well as contributing to the Government's overall strategy to protect Canadians against the threat of terrorism, by working more closely with civil authorities at the federal, provincial and local levels. At the same time, the Canadian Forces will increase their efforts to ensure the sovereignty and security of our territory, airspace and maritime approaches, including in the Arctic; and improve the gathering, analyzing, integrating and use of information gained from a combination of maritime, land, air and space surveillance systems. Internationally, the Canadian Forces remains capable of participating in a wide range of operations. These include complex peace support and stabilization missions, maritime interdiction operations, traditional peacekeeping and observer operations, humanitarian assistance missions, and evacuation operations to assist Canadians in countries threatened by imminent conflict and turmoil. In May, Canada renewed its participation in the North American Aerospace Defence Command (NORAD), which monitors and tracks man made objects in space and detects, validates and warns of attack against North America by aircraft, missiles or space vehicles and provides surveillance and control of Canadian and US airspace. Under the new agreement, NORAD will expand its

role to provide warning of maritime threats. The Government of Canada also recently announced its "Canada First" Defence Procurement program, whereby the Department of National Defence will purchase close to CDN \$17 billion in equipment and related support services for the Canadian Forces.

Conclusion

The new security context has challenged all of our nations to reconsider how best to address the complex and multidimensional threats which face us all, while ensuring appropriate roles and responsibilities for different security actors, and appropriate international cooperation on security challenges of shared concern.

There are many areas where the ARF could play a valuable role in fostering increased cooperation to enhance regional and international security. Canada would be pleased to work with interested ARF members to advance practical cooperation, to promote the exchange of best practices and to provide technical assistance where we can. To help us in charting our course and using our intellectual and financial resources most effectively, the ARF membership should consider where we want to focus our efforts, with what priority, and within which time frame. ASEAN leadership will be key to helping the membership as a whole to advance towards this goal. There continues to be a very positive spirit of constructive dialogue around these issues and we look forward to working with the ARF membership to further support efforts to enhance regional security in the Asia-Pacific region.

**ASEAN REGIONAL FORUM
ANNUAL SECURITY OUTLOOK 2006
CHINA**

Part I Review of the security situation in the Asia-Pacific region

The Asia-Pacific security situation in 2005 was on the whole stable, which manifests itself in the following: First, regional economy maintained steady growth. With expanding common interests and growing interdependence among countries, the call for peace, development and cooperation got stronger. Second, relations between major countries kept moving on a steady track. The momentum of dialogue and cooperation was maintained, effectively promoting regional security and stability. Third, tension over hot-spot issues eased. The *Joint Statement* issued during the fourth round of the Six-Party Talks on the Korean Peninsula nuclear issue marked initial progress in the talks. Announcement by India and Pakistan that the peace process is irreversible enhanced interactions between the two sides. Progress was achieved in the peace process and economic reconstruction of Afghanistan. Fourth, regional cooperation was strengthened. Progress was made in the building of an ASEAN Community. The first East Asia Summit was successfully convened. The South Asian Free Trade Area (SAFTA) was inaugurated by the South Asian Association for Regional Cooperation (SAARC). Fifth, countries in the region became increasingly aware of the importance of security cooperation and took more actions to enhance such cooperation. Within the ASEAN Regional Forum (ARF), the institution-building process moved forward. The first Inter-sessional Support Group Meeting on Confidence Building Measures and Preventive Diplomacy (ARF ISG) was convened. The ARF Fund was established and the Inter-sessional Meeting (ISM) on Disaster Relief resumed. Multilateral dialogue and cooperation for security in the Malacca Strait made further progress. The Indian Ocean tsunami and the outbreak of avian influenza prompted more concrete cooperation in areas of disaster relief and public health.

Complexities in regional development still affect and endanger security in the region. With insufficient political mutual trust among countries concerned and the many issues left over from history and territorial disputes, much remains to be done before the hot-spot and difficult issues can be finally resolved. Non-traditional security threats, unpredictable and transnational in most cases, became more acute. Terrorist incidents frequently occurred. Infectious diseases and natural disasters threatened the health and safety of people in the region. Imbalances in economic development, gap in wealth and gulf in development between countries remained. Moreover, differences in security perception brought difficulty to regional security cooperation.

Developments have shown that various security threats are increasingly more transnational, inter-connected and unpredictable; that security of one country has a close bearing on regional and global security. Cooperation is thus the only way to resolve common security concerns among countries.

Part II China's regional security policy

The goal of China's regional security policy is to maintain its own stability and development, preserve peace and security in the surrounding areas, and promote regional dialogue and cooperation.

China is the biggest developing country in the Asia-Pacific region. Its sustained economic growth is bringing more development opportunities to other countries in the region. Pursuing peaceful development, China is a major force for maintaining regional and global peace. It aims to build a harmonious society within the country and a harmonious world, which has laid a solid theoretical and policy foundation for its continued adherence to peaceful development. China's defense capabilities are aimed at maintaining security and unity of the country and ensuring its economic development. China does not enter into any military alliance or arms race. It does not seek spheres of influence or set up military bases abroad. It opposes the proliferation of weapons of mass destruction including nuclear weapons, and explicitly and unconditionally undertakes not to use or threaten to use nuclear weapons against nuclear-weapon-free countries and regions.

China is committed to developing relations with other countries on the basis of the Five Principles of Peaceful Coexistence, and firmly follows the policy of "building good-neighborly relationship and partnership" with its neighbors. China works to advance both its own interests and the interests of other countries in the region and its own development and the common development of Asia. Maintaining a stable and secure regional environment and promoting common development is the strategic goal of China.

China calls for the adoption of a new security concept centering on "mutual trust, mutual benefit, equality and collaboration". It seeks to boost mutual trust through dialogue, defuse conflicts through consultation and secure stability through cooperation. China does not seek any strategic interests in the region that are exclusive in nature, nor does it wish to exclude the legitimate presence and interests of other major countries concerned in the region. Our objective is for all countries to treat each other as equals, and achieve mutual benefit, and win-win progress. Acting in this spirit, China will make every effort to conduct dialogue and cooperation with other countries on regional security, and supports efforts in improving the regional security mechanism and deepening regional security cooperation.

Part III China's position on cooperation regarding non-traditional security

Most non-traditional security issues are complex and transnational in nature. They are unpredictable, urgent, spread quickly and cause profound and severe consequences. These issues are usually the result of intertwined political, economic, ethnic and religious conflicts, or are caused by serious and complicated natural and ecological factors. Given this, China takes the following position:

(1) Enhanced multilateral cooperation is needed to tackle transnational issues. Countries cannot effectively respond to the new challenges brought about by non-traditional security issues unless they conduct extensive international and regional cooperation, strengthen coordination and communication, and enhance collective capacity building.

(2) Multi-pronged measures including political, economic, diplomatic, legal and technical means should be taken in addressing non-traditional security issues. Equal attention should be given to prevention and response, with emphasis on eliminating the root cause of non-traditional security issues so that both the symptom and the root cause of such problems can be addressed.

(3) *The Charter of the United Nations* and international law should be observed in carrying out cooperation relating to non-traditional security issues. The principle of respecting sovereignty and non-interference in each other's internal affairs and a new security concept featuring mutual trust, mutual benefit, equality and coordination should be adhered to. Non-traditional security issues such as terrorism should not be identified with a particular ethnic group, religion or culture.

As a responsible member of the international community, China is ready to maintain coordination and cooperation with all other parties in the field of non-traditional security and make its contribution to regional peace and stability.

Part IV China's view on the future development of the ARF

As the major channel for Asia-Pacific security cooperation, the ARF needs to work to deepen mutual trust and take steps to enhance confidence building, making confidence building a central theme throughout the course of development of the Forum. It should respect the existing differences among Asia-Pacific countries in terms of social system, cultural background and level of development, and continue to observe and promote the principles of seeking consensus through consultation, taking an incremental approach and ensuring comfort for all, and carry out cooperation based on experiences in this regard. The ARF should maintain its strength and uniqueness and properly handle its relations with other mechanisms. Efforts should be made to step up contact and communication with other mechanisms so as to draw on each other's strength

with a view to safeguarding peace and stability in the Asia-Pacific. It should continue to be an active player and adapt itself to the changing situation and thus play a bigger role in promoting regional security cooperation.

China supports substantiating ARF cooperation and stands ready to work together with other parties to enhance cooperation against terrorism, proliferation of WMD, transnational crimes and other non-traditional security threats. It will work with other parties to ensure success of the Security Policy Meetings and encourage greater involvement of defense personnel in ARF cooperation.

China supports improving efficiency in ARF cooperation as well as enhancing role of the Chair while maintaining ASEAN's leading position within the ARF. It supports the establishment of an ARF Fund, and hopes that the Experts and Eminent Persons (EEPs) will play a constructive role on such issues as the future development of the ARF.

China supports efforts to explore ways to pursue preventive diplomacy on the basis of seeking consensus and respecting all countries' sovereignty. China welcomes the inception of the Inter-sessional Support Group on Confidence Building Measures and Preventive Diplomacy, and hopes that the mechanism will play an important role in areas where confidence building measures and preventive diplomacy overlap.

Part V China's contribution to the maintenance of regional security

China pressed ahead with reforms and opened itself further to the outside world in 2005. It maintained good momentum in economic growth, achieved greater economic stability and made development more balanced. Its annual GDP growth rate reached 9.9%. China's external trade and investment continued to increase, and its level of opening-up program was more effectively carved out. China's development and prosperity contributed to peace and stability in the Asia-Pacific region.

In the past year, China maintained good-neighborly ties and cooperation with its neighbors.

—Progress was made in relations between China and ASEAN members. China and Indonesia established the Strategic Partnership. China and Viet Nam officially signed the *China-Viet Nam Agreement on Joint Naval Patrol in the Beibu Bay*. China, the Philippines and Viet Nam signed the *Tripartite Agreement for Joint Marine Seismic Undertaking in the Agreement Area in the South China Sea*, making a breakthrough in the joint development of the South China Sea.

—China-Russia relations continued to grow. The two sides signed and issued the *Joint Statement between the People's Republic of China and the Russian Federation on the International Order in the 21st Century*, approved the

Supplementary Agreement between the People's Republic of China and the Russian Federation on the Eastern Section of the China-Russia Boundary Line, started consultation under the strategic security consultation mechanism and successfully held the first joint military exercise, thus uplifting their strategic partnership of coordination to a new level.

—China and India announced the establishment of a “Strategic and Cooperative Partnership for Peace and Prosperity”, which further upgraded the two countries’ relationship. China and Pakistan signed the “Early Harvest” agreement and started free-trade negotiations. SAARC agreed, in principle, to grant China observer status with the organization.

—China worked to develop relationship with Japan according to the principle of “drawing lessons from history and taking a forward-looking approach”. The traditional friendship between China and the DPRK was further cemented, and China-ROK ties steadily moved forward.

Progress was also made in China’s relations with the US, the EU, Canada, Australia and other countries.

In the past year, China firmly supported and actively participated in multilateral cooperation in the region.

—China took an active part in ARF activities. It hosted the ARF Seminar on Enhancing Cooperation in the Field of Non-traditional Security Issues. It proposed and got approval to co-sponsor in 2006 an ARF Seminar on Non-Proliferation with Singapore and the US, and an ARF Inter-sessional Meeting on Counter-Terrorism and Transnational Crimes with Brunei Darussalam. China jointly sponsored with Indonesia the fifth ARF ISM on Disaster Relief, proposed the formulation of *ARF Guidelines on Regional Cooperation on Disaster Relief* and will sponsor the sixth ISM on Disaster Relief in China in 2006.

—China supported regional cooperation and approached it in a pragmatic and open manner. Smooth progress was made in setting up the China-AEASEAN Free Trade Area. China also endeavored to enhance the 10+1 and 10+3 cooperation mechanisms, and took the lead in implementing the measures against “transnational crimes” as listed in the *Final Report of the East Asian Study Group*. It supported and actively participated in the first East Asia Summit and sponsored the Asian Conference on Disaster Reduction.

—China worked vigorously to seek a peaceful settlement of the Korean Peninsula nuclear issue through dialogue. It successfully hosted the fourth round of the Six-Party Talks, ensured the release of the *Joint Statement* and helped the talks to achieve major progress.

—China was actively involved in conducting humanitarian assistance operation in the region. After providing large-scale assistance to areas hit by the Indian Ocean tsunami, it actively participated in disaster relief and reconstruction efforts in the aftermath of the South Asian earthquake, providing US\$ 20.5 million worth of assistance in cash and in kind to the afflicted countries.

In addition, China actively pursued military diplomacy. In September 2005, the Chinese People's Liberation Army invited over 40 military observers and foreign military attachés posted in China from 24 countries to watch the "North Sword—2005" military exercise in Zhurihe Training Base of the Beijing Military Command. In November, China's navy held non-traditional security issue related military exercises with the navies of Pakistan, India and Thailand respectively with the focus on joint search-and-rescue.

China firmly believes that to strengthen friendship and deepen win-win cooperation with its neighbors and the rest of the world is the only way to create an optimum external environment for its development. We take stability, development and harmony as our policy goals, and firmly follow the policy of peace, development and cooperation. We will work for democracy, amity, justice and accommodation, play a constructive role in international relations and work with other countries in the region to build a harmonious world.



Fourth ARF Inter-Sessional Meeting on Counter-Terrorism and Transnational Crime, 26-28 April, Beijing, China

**ASEAN REGIONAL FORUM
ANNUAL SECURITY OUTLOOK 2006
INDONESIA**

I. Strategic Context of Security

1. Global, regional and domestic security is affected by the dynamic of strategic context, which is also saturated by political and economical issues. This is also a proof that there is inter-linkage between security and political as well as economical factors.
2. At the global level, the end of the cold war was not an evidence of the establishment of world peace and security. The world still faces myriad threats and challenges in the form of such traditional security issues as border disputes, arm races and proliferation of weapons of mass destruction. The complexity of the global security issues was intensified by application of hegemony through strengthening of alliance, military buildups, technology supremacy and economical dominance.
3. It is only natural that state-to-state interaction should be established based on mutual confidence and respect, which at the end would attenuate conflict potentials. However, steep capacity gap between developed and developing countries, particularly in economy, technology and military, may hamper a mutual relationship among states. In such context, a race of influence among states and to states might lead to conflicts the states are facing.
4. Global and regional challenges has become increased by the emergence of non traditional security issues, such as terrorism, ethnical conflict, sea robbery, hijacking, smuggling, illicit trafficking of drugs and narcotics, people smuggling and trafficking in persons, illegal logging, and other forms of transnational crimes. Those crimes have shown significant escalation in the last decade, and are affecting the security and stability of the region. Those crimes have transformed into real threats to states disregard of their borders and boundaries and have become increasingly complicated as it is controlled by actors with strong transnational networks, well equipped with the latest technology, and with strong financial support.
5. Those global strategic context is a very affecting the regional security dynamic. In addition to classic issues such as territorial claims, sea communication and transportation lanes, other non-traditional security issues also become regional concern. Interaction and dynamic among major countries is also a determinant factor in the Asia-Pacific security footprint.
6. Above all, one of Indonesia's national interests as a permanent security interest of Indonesia is to safeguard and protect the sovereignty and territorial integrity of the Unitary State of the Republic of Indonesia as well as the safety

and dignity of the nation from all forms of threats. That will be sustained in a parallel basis with a close cooperation with international community in addressing the world's ever changing challenges and threats. As a part of international community, Indonesia can not escape from the external influences. Good relations with other nations, both on regional or global scale, in the context of preserving Indonesia's interests, then becomes one of Indonesia's foreign policy.

II. Regional Situation Overview

7. The Asia-Pacific region is sustaining substantial, profound and dramatic changes as well as faced with new political and security challenges. A major wave of change to the region, which has also influenced the whole world, was the introduction of democracy as a basic statehood principle. Often considered as a product of the West and conceived as a tool to create "unrestrained freedom", it has been expanded as a "conditionality" packaged in many aspects of life: political, economic and even socio-cultural.

8. The Asia-Pacific region in general has shown positive developments. Nonetheless, countries are still facing myriad non-traditional security challenges that require a concerted regional effort through enhanced regional cooperation in addressing those challenges. Some problems still persist such as terrorism, trafficking in person, smuggling, illicit drugs trafficking, illicit trade in small arms and light weapons, money laundering. Failing in addressing these serious issues effectively may have repercussions to the regional peace and stability.

9. Indonesia is confident that, amidst such challenges, the Asia-Pacific region still enjoys progressive and positive political development as marked among others by relatively stable relations among countries, enhanced confidence building measures, and cooperation. In this regard, countries should continuously promote efforts to improve security architecture in the region so that peace and stability could be truly achieved and enhanced.

10. All those strategic dynamics are still relevant up to now, and are still calling for substantial attention from all ARF participants. ARF role in coping with this dynamic is still relevant, which marked by confident development in its process and engagement.

III. Major Security Concerns

III. A. Traditional Security Issues

Palestine

11. Indonesia has a longstanding support to the Palestinians for their legitimate struggle to establish their own state based upon the vision of two states – Palestine and Israel – living side by side within a secure and internationally recognized border. In this connection, Indonesia underlines the

need for all efforts to be made to resume the process for a permanent settlement of the conflict based on relevant United Nations Security Council Resolutions.

12. However, recent development in Palestine is of great concern for Indonesia. Such deteriorating situation is an impediment against peace solution for Palestine and Israel. Indonesia calls upon both parties to show their goodwill and seriously comply with the steps outlined in the three phases of the Roadmap leading towards the establishment of the independent state of Palestine. In that regard, the role of the UN Security Council in regard to the situation in the Occupied Palestinian Territory and peaceful settlement of the Israeli-Palestinian conflict should be deemed as important.

Korean Peninsula

13. The attempt of missile launch test conducted by the Democratic People's Republic of Korea is a concern for most countries in the region, since it was not a gesture towards a peaceful resolution to Korean Peninsula's nuclear problem. The Six Party Talks resumption is highly important in this regard to find a mutual solution.

III. B. Non-traditional Security Issues

Terrorism

14. Terrorism, irrespective of its origins, motivations or objectives, continues to pose serious threats to regional and international peace and stability. Terrorism is the problem of every nation. The best way to fight and vanquish this menace is through multi-dimensional and multilateral approaches based on international law and respect for human rights. Indonesia stands ready to take necessary measures, and to work with other states and organizations, to ensure that terrorism is defeated and will have no safe haven in the face of the earth.

15. Focusing the work on employing more soft power to win the heart and mind of the people is a more important task than merely focus on employing hard power. Indonesia believes that the use of soft power could reach more people across the spectrum and empower the moderates. Indonesia places the strong potential in regional cooperative efforts to enhance mutual understanding and tolerance through inter religious and cultural dialogues and cooperation.

16. The campaign against terrorism can only be won through comprehensive and balanced measures in particular by squarely addressing the root causes of terrorism, including poverty, intolerance and injustice. The efforts in addressing the root causes of terrorism shall not be translated into justification for any form of terrorist acts.

17. Indonesia is one of countries that have been victimized by terrorism as all states are vulnerable to terrorist acts. The majority of Indonesian people actually embrace moderate Islam that has been through a process of cultural adaptation spanning for centuries and perceived that terrorism is against Islam teachings.

18. Another short term avenue to combat terrorism is to enhance preparedness and anticipate circumstances either by establishing safeguard mechanism or by conducting capacity building. Bilateral agreement on terrorism conducted by Indonesia and other countries has been an effective way to prove seriousness of our commitments to combat terrorism. Furthermore, the establishment of *Jakarta Center for Law Enforcement Cooperation (JCLEC)* in Indonesia as well as other centres throughout the region should therefore be taken advantage of.

Maritime Security

19. As an archipelagic state, Indonesia pays a great attention on maritime security. In that regard, Indonesia has undertaken a comprehensive approach in enhancing maritime security through common efforts to improve navigational safety. The measures taken are (i) focusing the presence of Indonesian air and sea patrol in border areas, strategic lanes and susceptible waters; (ii) Increasing the early detection capability in certain susceptible waters to gain maritime intelligence; (iii) deploying intelligence operations; and (iv) deploying coordinated regular and specific operations with neighboring countries.

20. However, no country can mount tackle the newly emerging non-traditional security threats alone, which also affect the security at sea. Therefore, Indonesia notes that cooperation with other states in the form of confidence building measures is important.

21. With regard to maritime security, it is important to uphold adherence to the principles that the cooperation should comprise not only of maritime security but also safety of navigation and environmental protection. Maritime security should be dealt with comprehensively. In that regard, it is important that in comprehensive cooperation, states should seek common perception concerning threats and challenges to maritime safety and not to focus merely on criminal offences. Cooperation should be based on respect for the sovereignty of states and is conducted in line with the existing framework prescribed under UNCLOS, which shall be utilized and developed to find a more creative model of cooperation.

22. The confidence building measures cooperation in maritime security shall embrace the balance of interests amongst and between Indonesia and states. Indonesia considers that information sharing, capacity building, technical assistance and burden sharing are more laudable forms of cooperation. In addition, those forms of cooperation should meet two of the parameter tests such as they are without prejudice to the state sovereignty and that they are done in a voluntary basis.

Transnational Crime

23. Addressing the problem of transnational crime such as illicit trafficking of drugs and narcotics, people smuggling and trafficking in persons, money laundering, corruption, illicit trade of illegally logged timber, etc. is of a high importance. Actions against the aforementioned world problems are the common

and shared responsibilities of the world community, which requires an integrated and balanced approach in full conformity with the purposes and principles of the UN Charter and International Law.

24. Corruption poses threats against people welfare and wellbeing. Corruption is a cross-border and interlinked issue, which poses political, economic, financial and socio-cultural challenges to the people. It can also destabilize governments and taint public service as well as undermines justice, democracy, ethical values, good governance and the rule of law. In that regard, Indonesia spares no efforts in fighting against corruption. Given the nature of corruption's trans-border nature, the fight against corruption needs collaborated efforts and cooperation among countries.

25. One crime closely related to corruption is money laundering. Alike corruption, it could destabilize economy and socio-culture of nations. Indonesia has taken various steps to enhance its capacity in fighting money laundering, among others by establishing instrument such as the Financial Intelligence Unit, a national coordinating committee as well as national regulations. In addition, Indonesia has conducted cooperation with other countries and relevant international and regional entities.

26. Indonesia also concerned by the ever increasing illicit trafficking of drugs and narcotics in the region. The danger of drugs, narcotics and other similar substances is a long term threats against our society. Indonesia, in that regard, spared no efforts in combating drugs. This effort has paid off by the revealing and seizure of the World's third largest illegal amphetamine factory in Banten last year. Indonesia, however, still believes that the threats posed by drugs and narcotics still lure our future generation. In that regard, Indonesia will not be complacent with its attainment and will keep on fighting this kind of threat against society.

27. Another threat to people is people smuggling and trafficking in persons, which blatantly denies the most basic rights of human being to live with dignity. This is a complex issue that requires a comprehensive solution through regional and international approaches. Indonesia has taken efforts in combating people smuggling. Those were taken both domestically and internationally.

28. Illegal logging should also be deemed as a crime that needs collaborated efforts by countries. As the support system for global climate, Indonesia with its tropical rain forest, contributes to the sustainability of earthy environment. Therefore, illegal logging, which constitutes crime by destroying forests, shall be eliminated. Damage to the forest proven to bring misshapen to the people by its chain effects. In that regard, all concerned parties need to work together to fight the illegal logging. Indonesia's attempt to ban all logs exports to another country will not be efficient unless there no cooperation among states and that there are still demands from other countries for such illegally logged timbers.

Proliferation of Weapons of Mass Destruction

29. Indonesia, together with other like-minded countries, will keep on striving for the implementation of the three pillars of Nuclear Non Proliferation Treaty (NPT) i.e. disarmament, non-proliferation and the balanced use of nuclear technology for peaceful purposes. Indonesia is of the view that international community, particularly developed countries and nuclear weapon states, emphasize more on non-proliferation by strengthening control mechanism to avoid possession of nuclear materials by non-state actors, which may use the technology for unlawful purposes, or to a particular country with nuclear weapons ambition. In Indonesia's point of view, the threats against peace and security with regard to the possession of nuclear weapon are not only posed by particular individual groups or rogue states. In that regard, balanced approach shall be given to the obligation of the nuclear weapon states to reduce and dismantle their nuclear weapons towards total elimination of nuclear weapon. In that connection, the disarmament pillars must also become international community's attention. In addition, the guarantee of the right of a country to develop nuclear power for peaceful uses shall be maintained.

Natural Disaster

30. Indonesia's disaster management and emergency response was tested once again when a 5.9 Richter scale struck Jogjakarta and parts of Central Java on 27 May 2006. While preparing disaster risk mitigation in relation with the ever increasing volcanic activity of Mount Merapi, the parts of the region is struck with the earthquake. The disaster asked for 6.000 lives, and most of infrastructures in the region were badly devastated. Those who survived lost their homes and public utilities are vanished. Following that disaster, Indonesia is once again touched by massive support and relief that have been rendered by international community.

31. In that connection, disaster management and emergency response should be prepared comprehensively within a cooperation framework of countries in the region. Therefore, Indonesia is looking forward to the implementation of two important clusters of prevention and mitigation activities that have been mandated by Special ASEAN Leaders' Meeting. Those are development of a regional instrument for disaster management and emergency response and the establishment of a tsunami early-warning system for the Indian Ocean Rim and Southeast Asia.

32. Indonesia calls upon states to cooperate in this area by among others establish a system of information exchange on natural disaster on a real-time basis. Such exchange will provide a prompt action to mitigate disaster risks and implications. This effort is one of capacity building measures of a state in disaster management and emergency response.

33. In that connections, there is a need to work together to elaborate possibilities in establishing a rapid response mechanism or standby arrangement with regard to disaster relief.

IV. Domestic Development

34. In response to the global changes, Indonesia has carried out reforms aimed at creating a more democratic society, free from corruption, collusion and nepotism practices. In practical, Indonesia is establishing and developing good governance.

35. Indonesia is advancing its good governance as one pillar of democracy. In this context, Indonesia is not only enhancing the involvement of the public and private sectors in making decisions and managing resources efficiently, but also in empowering and respecting institutions and process that govern political, economic and social interactions.

36. Good governance and economic development are closely linked. Thus, in order to be able to stride faster after bouncing from economic malaise in 1997, Indonesia has taken step to commit good governance. To a certain extent, those efforts taken by Indonesia has shown positive signs of change, in the lives of Indonesian society, through state administrative system reform, in the fields on politics, law, economics, social, defense, security and public order. As an example, by the establishment of the National Corruption Eradication Board, Indonesia's fighting against corruption is taking place and is moving towards the right direction. Through National Narcotic Board, Indonesia has succeeded in intercepting particular network of drugs producers and traffickers.

37. In that connection, human rights situation in Indonesia has also been experiencing tremendous since the dawn of the reform. Indonesia is now a party to six international major human rights instruments, with its latest accession to the International Covenant on Civil and Political Rights and the International Covenant on Economic, Social and Cultural Rights in January 2006. The development of human rights situation in Indonesia was praised by international community by the election of Indonesia as the Chairman of the 59th Session of the (then) United Nations Human Rights Commission, and the election of Indonesia as the newly formed United Nations Human Rights Council. Indonesia can be a perfect example on how a state can improve its adherence to international standards swiftly and smoothly.

**ASEAN REGIONAL FORUM
ANNUAL SECURITY OUTLOOK 2006
JAPAN**

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(The period covered up to March 31, 2006.)

I. Security Environment in the Asia-Pacific Region

1. Overview

After the end of the Cold War, today's security environment has come to be characterized by decreased potential for the outbreak of global-scale armed conflict. However, non-state actors such as international terrorist organizations have come to be regarded as new threats, particularly after the 9.11 terrorist attacks on the United States. Furthermore, with growing interdependence between countries and globalization, the international community has to face the urgent need to address the proliferation of weapons of mass destruction and ballistic missiles, activities by international terrorist organizations and other new threats.

The Asia-Pacific region is growing steadily through deepening interdependence. However in this region, traditional security issues still remain, such as the presence of massive military power including nuclear arsenals, the situation on the Korean Peninsula and cross-Taiwan Strait relations. Furthermore, non-traditional issues such as international terrorist activities and piracy have recently surfaced. As such, the security environment in this region is getting highly complex and diverse.

2. Situation by Region

(1) Korean Peninsula

Japan's basic policy is to normalize its relations with North Korea after achieving a comprehensive resolution of the outstanding issues of concern such as the abduction, nuclear, and missile issues. The Pyongyang Declaration signed by both leaders at the Japan-North Korea Summit Meeting held on September 17, 2002 constitutes the basis for this policy. The normalization of the relationship will be conducted in a manner that would contribute to the peace and stability of the Northeast Asian region. To achieve this goal, it is important to make simultaneous progress on Japan-North Korea relations and in the Six-Party Talks concerning the nuclear issue.

Consultations between Japan and North Korea, which had been suspended for about a year, resumed in November 2005, and Japan-DPRK Comprehensive Talks was held in Beijing in February 2006. These talks consisted of three tracks of consultation, namely, "Consultation on issues of concern including the abduction issue," "Consultation on security issues," and "the Normalization talks". With regard to the abduction issue, which is the top priority issue, Japan presented North Korea with three strong demands: (1) the repatriation of living abductees, (2) a promise from North Korea to launch a new investigation aimed at revealing the truth about what happened, and (3) the handing over those responsible for abduction. North Korea, however, did not respond sincerely, and no concrete progress was achieved. In the talks on the nuclear, missile and other security issues, North Korea merely repeated the same positions as they had publicly announced previously.

North Korea's nuclear issue is not only a direct threat to the peace and stability of the Northeast Asian region including Japan, but also a serious challenge to the international nuclear non-proliferation regime. Japan places the importance on working through the framework of the Six-Party Talks to achieve a peaceful resolution of this issue.

Major steps forward were achieved at the fourth round of the Six-Party Talks held from July to September 2005, including the adoption of the first Joint Statement, in which North Korea committed to abandon all nuclear weapons and existing nuclear programs in a verifiable manner. Subsequently, however, at the first session of the fifth round of the Six-Party Talks held in November 2005, North Korea hardened its stance in response to the money laundering countermeasures taken by the United States against a bank in Macao. As a result, except for the adoption of the chairman's statement towards implementation of the Joint Statement, the talks were adjourned without any other concrete progress. As North Korea is insisting on the lifting of the financial measures by the U.S. government as the precondition for returning to the Six-Party Talks, the second session of that round has yet to be resumed.

Japan considers that the early resumption of the next session and concrete progress in discussions on early implementation of the Joint Statement are necessary. Japan will, therefore, work closely with other relevant countries in continuing to call on North Korea to return to the Six-Party Talks promptly without preconditions.

The development of missiles by North Korea is another matter of concern, not only for Japan but also for the international community as a whole. Reports on the current status of missile development and deployment by North Korea vary in their content, and with regard to ballistic missiles it has been reported that North Korea has deployed Nodong missiles (with a range of approximately 1,300 km), which can reach almost all the territory of Japan. It has also been suggested that North Korea has developed a longer-range Taepodong 1 missile (with a range of approximately 1,500 km or longer). In addition, it has been reported that development of an even longer-range Taepodong 2 missile (with a range of approximately 3,500 to 6,000 km) is underway, and further efforts to extend the range of missiles are expected.

Japan, during the Consultation on Security issues of the Japan-DPRK Comprehensive Talks in February 2006, demanded the cessation of development and verifiable removal and dismantlement of ballistic missiles which threaten Japan's security, as well as cessation of exports of missiles and related technology. However, North Korea merely expressed its principled positions on these issues.

(2) China

Both Japan and China share a common understanding that Japan - China relationship is one of the most important bilateral relations for each other. Both countries have major roles to play in ensuring peace and stability in the Asia-Pacific region.

In terms of the Chinese military, with the rapid economic growth in recent years, China's national defense budget has surged at double-digit per annum pace for 18 consecutive years. In addition, China is also modernizing its military forces through a shift from "quantity" to "quality." Japan has been paying careful attention to such trends.

While China has indicated a willingness to make its defense policy more transparent by, for example, issuing a biannual "National Defense Report," transparency is still lacking in some areas. Japan thus calls upon China to provide yet more transparency in its defense policy, including defense spending.

With regard to relations between China and Taiwan, while economic and human exchanges are developing, there has been no prospect of resumption of the dialogue between the authorities of the two sides. In February 2006, Taiwan announced to "Ceasing the Function of the National Unification Council and the Application of the National Unification Guidelines". China strongly condemned this move, as a dangerous step toward Taiwan's independence. Japan strongly hopes that the issues concerning Taiwan will be resolved peacefully through direct dialogue between the parties concerned. To that end, Japan continues to call for an early resumption of dialogue.

(3) India and Pakistan

The relations between India and Pakistan became extremely tense, triggered by the attack on the Indian Parliament in December 2001 and other events. Both countries have subsequently made efforts to improve their relations. In January 2004, the leaders of both countries attended the SAARC summit meeting held in Islamabad and had their first meeting after an absence of two and a half years. At that summit, both leaders agreed to open the "Composite Dialogue" covering confidence building measures, the Kashmir issue, settling of national borders, terrorism, commerce, friendly exchanges and other areas, in order to make progress in the normalization process of bilateral relations. To date, the first round of this Composite Dialogue was held from February to September 2004, followed by the second round from December 2004 to September 2005. A third round was started from January 2006.

In addition, after the massive earthquake in October 2005 that struck Pakistan and surrounding areas, India dispatched military aircraft for relief supply operations and agreed to establish cross-border points along the Line of Control. Moreover, Japan highly appreciates the fact that India did not change its policy to provide relief for Pakistan despite the outbreak of a series of terrorist bombings in Delhi following the earthquake.

While concern remains over the fact that both India and Pakistan continue to maintain missile development programs, Japan welcomes the aforementioned forward-looking and concrete moves towards improved relations between the two countries, and intends to continue to promote such trends.

(4) Terrorism in Southeast Asia

The threat of terrorism in Southeast Asia is still serious, as seen in the terrorist bombings carried out in October 2005 by Jemaah Islamiyah (JI), an international

terrorist organization in this region, on the island of Bali. However, law enforcement efforts by various countries in Southeast Asia have achieved steady results such as the death of Azahari Hussin, a known explosives expert, in a police raid. On the other hand, key members of the organization remain at large. In addition, it is also likely that explosives produced by Azahari before his death remain concealed, and members of JI cells and local extremist groups may have acquired bomb-making skills from Azahari. Therefore, at least over the short term, we will most likely not see any major changes in JI's capacity to commit terrorist acts.

The leadership of JI was decentralized as a result of substantive crackdowns, and relies on operational support from local terrorist groups such as the Moro Islamic Liberation Front (MILF), the Abu Sayyaf Group (ASG) through JI training camps situated in the island of Mindanao in the southern Philippines. In fact, JI is suspected of complicity in simultaneous terrorist attacks that occurred in February of this year in Manila and in Mindanao, for which the ASG claimed responsibility.

While groups such as the MILF and ASG have carried out terrorist activities in the southern Philippines, in February 2006, the Philippine government worked out an agreement with the MILF for preliminary negotiations. The movement toward peace between the Philippine government and MILF through the upcoming peace negotiations will be drawn an attention.

In Southern Thailand, the situation has become worse since 2004, suffering from frequent terrorist bombings and conflicts between separatist groups and security forces in the three southern provinces in which a Muslim population forms the majority. Although there is little evidence of outside involvement in the recent insurgency thus far, attention needs to be paid to the situation in Southern Thailand, since JI and other international terrorist groups could exploit the unrest in the region and penetrate its influence.

II. Japanese Efforts in Ensuring Peace and Stability in Japan and the Region

1. Basis of Japan's Security Policy

The international community is faced with the threats of terrorism and the proliferation of weapons of mass destruction, in addition to regional conflicts with multiple causes, and thus uncertain and unstable factors continue to persist. In light of this security environment, Japan will pursue, as in the past, a security policy comprising three pillars: (1) maintain an appropriate defense capability, (2) firmly uphold the Japan-U.S. Security Arrangements, and (3) strive through diplomacy to ensure the stability of the international environment surrounding Japan.

2. Efforts to Develop Japan's Defense Forces under the Present National Defense Program Guidelines

Based on the Constitution of Japan, and the ideas of maintaining the exclusively defense-oriented policy by not becoming a military power that might pose a threat to other countries, Japan will continue to uphold the fundamental principles of developing modest defense forces of its own. Japan formulated the "National Defense Program Guidelines" stipulating the future defense capabilities and concrete goals to be achieved, and has been developing its defense forces based on the Guidelines.

"National Defense Program Guidelines" formulated in 2004 identifies two objectives: (1) to prevent and repeal any threat from reaching Japan; and (2) to improve the international security environment to reduce the chances that any threat will reach Japan. These two indicated objectives shall be achieved through the combination of three approaches in a unified manner: (1) Japan's own efforts; (2) cooperative efforts with the United States, Japan's alliance partner; and (3) cooperative efforts with the international community. The National Defense Program Guidelines states that future defense forces should be capable of effectively responding to new threats and diverse contingencies while maintaining those effective elements of the Basic Defense Force Concept that remain valid. It also states that since Japan should voluntarily and actively participate in "international peace cooperation activities", Japan will develop multi-functional, flexible, and effective defense forces that are highly ready, mobile, adaptable and multi-purpose.

As for the ballistic missile defense system referred to in the New National Defense Program Guidelines, the decision to put the system in place was made on the ground that it is the only and purely defense measures without alternatives, to protect life and property of Japan's citizens against ballistic missile attacks meets the principle of exclusively defense-oriented national defense policy.

Japan has been making efforts on its own initiative to build a modest defense capability under the Constitution in accordance with the fundamental principles of maintaining an exclusively defense-oriented policy and not becoming a military

power that might pose a threat to other countries while adhering to the principle of civilian control of the military and observing the Three Non-Nuclear Principles.

Based on the National Defense Program Guidelines, the Government of Japan approved in 2004 the "Mid-Term Defense Program (FY2005-2009)". This program emphasizes "effective response," and placed importance on improved readiness and mobility, joint operation capability, and acquisition of new capabilities incorporating the progress in science and technology.

Based on the National Defense Program Guidelines and the Mid-Term Defense Program, Japan worked to establish defense forces during FY2005, focusing on promotion of BMD related measures, improving effective responses to new threats and diverse contingencies including attacks by guerillas, special operations units or NBC weapons, and the new joint operation system.

At the end of March 2006, in order to respond swiftly and effectively to new threats and diverse contingencies under the new security environment, Japan transitioned to a joint operations system, under which the Ground, Air and Maritime Self-Defense Forces are operated in an integrated and organic manner.

3. Japan-U.S. Security Arrangements

As Japan is unable to manage all the situations that might threaten the country's security solely with its own defense capabilities, Japan must maintain its security under the deterrence provided by the forward deployment of U.S. forces based on the Japan-U.S. Security Treaty. From this perspective, Japan must unremittingly continue its efforts to further enhance the credibility of the Japan-U.S. Security Arrangements. As part of these efforts, Japan has been intensifying consultations on security issues with the U.S. and has been continuing with bilateral defense planning in case of an armed attack against Japan and mutual cooperation planning in situations in areas surrounding Japan in order to ensure the effectiveness of the new Guidelines for Japan-US Defense Cooperation, with reference to the National Emergency Legislation that was enacted in June 2004.

In addition, the Japan-U.S. Security Arrangements, based on the Japan- U.S. Security Treaty, have been functioning effectively as a basic framework not only to ensure the peace and prosperity of Japan and the Far East region, but also to realize peace, stability and prosperity in the Asia-Pacific region.

To be able to respond to the new security environment, the U.S. undertook transformation and global posture realignment, using technological advances with the aim of achieving greater mobility and flexibility of U.S. forces.

As stated above, Japan, on its part, has been developing its defense forces based on the "National Defense Program Guidelines" formulated in 2004 in response to changes in the security environment.

On the basis of these efforts by both sides under the new security environment, Japan and the United States engaged in consultations on issues including realignment of U.S. forces in Japan, with the aim of adapting the Japan-U.S. alliance to the new era. At the Japan-U.S. Security Consultative Committee (SCC or "2+2" Meeting) convened in Washington D.C. in October 2005, Japan

and the United States examined roles, missions and capabilities necessary to achieve the common strategic objectives to be pursued by both countries that the two countries confirmed at the "2+2" Meeting in February, 2005. The two countries also examined realignment of U.S. force structure with two major aims: (1) maintaining deterrence and (2) reducing the excessive burden on local communities. The results of these examinations were contained in the Joint SCC Document.

In this Joint SCC Document, both sides reconfirmed that the entire spectrum of bilateral cooperation must be strengthened, consistent with relevant national security policies and laws, and with agreements between Japan and the U.S. They also emphasized the importance of improving cooperation in several specific areas of cooperation: air defense, ballistic missile defense (BMD), counter-proliferation operations, such as the Proliferation Security Initiative (PSI), counter-terrorism, minesweeping, maritime interdiction, and other operations to maintain the security of maritime traffic, search and rescue operations, intelligence, surveillance and reconnaissance (ISR) operations, including those by unmanned aerial vehicles (UAV), and maritime patrol aircraft, humanitarian relief operations, reconstruction assistance operations, peacekeeping operations and capacity building for other nations' peacekeeping efforts. Thus, both sides will place great emphasis not only on the defense of Japan and responses to situations in areas surrounding Japan, but also on efforts to improve the international security environment, such as participation in international peace cooperation activities.

Then, the "2+2" Meeting held in Washington D.C. in May 2006, issued a joint document finalizing the initiatives for U.S. force posture realignment with concrete implementation schedules. These efforts contribute to the reinforcement of the Japan-U.S. Security Arrangements, and shed light on the future direction of the Japan-US alliance in the new security environment. The bilateral efforts aim to bring peace, stability and prosperity not only to Japan and the U.S., but also to the Asia-Pacific region and the international community as a whole.

4. Efforts to Ensure Stability in the International Environment Surrounding Japan

(1) Dialogue and cooperation in bilateral and multilateral frameworks

Japan regards the improvement and strengthening of multilayer frameworks for bilateral and multilateral dialogue while securing the presence and engagement of the U.S. in the Asia-Pacific region as realistic and appropriate ways to develop a stable security environment surrounding Japan and to ensure peace and stability in the region.

The government of Japan has engaged in security dialogues and defense exchanges through bilateral frameworks with countries such as Australia, Canada, China, India, Indonesia, Malaysia, New Zealand, the Republic of Korea, Pakistan, the Philippines, Russia, Singapore, Thailand and Vietnam. In this way, Japan has been making efforts to enhance mutual trust and develop cooperation in the security area.

As a multilateral approach, Japan has been making use of the ASEAN Regional Forum (ARF), a political and security framework for the entire region in which major Asia-Pacific countries participate. Its aim is to achieve gradual progress in the ARF process through an approach based on three stages: (1) the promotion of confidence building, (2) the development of preventive diplomacy, and (3) the elaboration of approaches to conflicts. Through the meetings held so far, frank and open exchanges of views have been fostered, including issues in which member countries are directly involved, such as the situation on the Korean Peninsula, the situation in Indonesia, and the issue of Myanmar. ARF has advanced to the second stage of preventive diplomacy, and there have been discussions on concrete efforts related to preventive diplomacy. Japan will continue to make proactive contributions to promote the ARF, a forum for political and security dialogue and cooperation in the Asia-Pacific region.

As for international disaster relief, in recent years, the ARF and other multilateral frameworks have started to actively exchange views on common security issues including counter-terrorism, maritime security and international disaster relief. (Counter-terrorism and maritime security described later.)

In recent years the Asia Pacific region has witnessed a series of major natural disasters, including major earthquake off the Coast of Sumatra and Tsunami in the Indian Ocean, the large-scale earthquake in Pakistan and the landslide in Leyte of the Philippines. In light of the lessons learned from these disasters, discussions with the aim of promoting regional cooperation on international disaster relief activities have been held in multilateral frameworks.

Japan hosted in the Tokyo Defense Forum 2005 with the participation of ARF member countries and others, at which international disaster relief cooperation was discussed as one of the agenda items. Japan held the 5th Sub-committee of the Forum in January 2006, with the agenda of "Efforts to Build Basis for International Cooperation during Disaster Relief." Discussions were held concerning 'how to' utilize the lessons and challenges identified in past meetings of the ARF and other multilateral for a. Japan will continue to promote cooperation and coordination with other countries in the field of international disaster relief operation.

(2) Support for Reconstruction of Iraq

The stability and reconstruction of Iraq is essential for the stability of the international community as a whole. Especially for Japan, which imports 90% of its crude oil supplies from the Middle East, it is an extremely important issue directly connected with its national interest.

The Iraqi National Assembly election was held in December 2005 and its outcome was determined in February 2006. Japan made various efforts with a hope to see the early establishment of a new government representing a broad range of groups including Sunnis.

Concerning reconstruction assistance in Iraq, based on the recognition that it is necessary for Japan to provide commensurate support for Iraq as a responsible member of the international community, Japan has been providing assistance through a combination of humanitarian and reconstruction activities by the Self-

Defense Forces and Official Development Assistance (ODA). Japan's assistance has been highly appreciated by the Iraqi people and the government.

With regards to its contribution through ODA, Japan announced its financial assistance package totaling up to \$5 billion by 2007. Japan obligated by May 2005 the amount of immediate assistance through grants totaling \$1.5 billion. Japan intends to provide the remaining \$3.5 billion through yen-loan-financed infrastructure development projects such areas as electricity, education, health care and transportation. In March 2006, Japan announced the implementation of three specific projects.

Concerning the personnel contribution by the Japan Self-Defense Forces, the Special Measures Law for Humanitarian and Reconstruction Assistance in Iraq was enacted in 2003 with the aim of providing assistance for Iraq's reconstruction. Based on this law, troops from the Ground Self-Defense Force and Air Self-Defense Force have been dispatched to Iraq since the end of 2003. During the past 2 years, SDF has been cooperating in the reconstruction in Muthanna province in the southeast of Iraq through activities such as restoration and reconstruction of public facilities and provision of medical care. Based on its own judgment that it was necessary for SDF to continue to support reconstruction in Iraq in view of the critical juncture that Iraq finds itself, Japan, on December 8, 2005, decided to extend the period of dispatch of SDF for 1 year. The period was originally scheduled to conclude on December 14, 2005 according to the basic plan. The extension was made so as to enable the SDF to continue these contributions. At the same time a Cabinet decision was made that future activities by the SDF would be decided based on a comprehensive judgment taking into consideration: (1) the political process in Iraq; (2) security situation on the ground; (3) the activities of the Multinational Forces; and (4) the level of progress of reconstruction in the area through such decisions, Japan has been providing reconstruction assistance for Iraq to date.

(3) International Counterterrorism Efforts

In order to prevent and eradicate international terrorism, it is important that the international community stands united and continue to carry out sustained efforts in various fields. To this end, in accordance with Japan's Anti-Terrorism Special Measures Law, the Self Defense Forces has supported and cooperated with U.S., U.K. and other military forces, in providing supplies and transportation.

Japan also regards that it is important to: (1) strengthen each country's domestic measures; (2) promote international cooperation, both multilaterally and bilaterally to strengthen legal framework by promoting the conclusion of the international counter-terrorism conventions and protocols, taking measures against terrorist financing, for transportation security, maritime security, and for reinforcing immigration control; and (3) providing capacity-building assistance to developing countries. Based on such an understanding, Japan is actively contributing in these areas by relevant equipment, accepting trainees and dispatching experts. With a view to further strengthening such efforts, Japan will start providing "Grant aid for cooperation on counter-terrorism and security enforcement" from the fiscal year 2007. In addition, Japan intends to contribute

to strengthening counter-terrorism efforts through the Japan ASEAN Integration Fund (JAIF) which was announced at the Japan-ASEAN Summit held in December 2005.

With Asia's economic growth in recent years, the threats to maritime security such as terrorism at sea, piracy and proliferation of weapons of mass destruction and related material by sea have become critical challenges for stability and economic development in this region. In this connection, the Straits of Malacca located in the seas of Southeast Asia is an extremely important shipping route for Japan. Therefore Japan is actively working to ensure security in the Straits of Malacca through various frameworks, while respecting the sovereignty of the littoral states.

Regarding anti-piracy efforts in Asia region, Japan considers that the early entry into force of the Regional Cooperation Agreement on Combating Piracy and Armed Robbery against Ships in Asia (ReCAAP) and starting cooperation through the implementation of this agreement is important. To the end, Japan will continue to reach out to the related countries.

Within the framework of the ARF, Japan hosted the ARF Workshop on Capacity Building of Maritime Security in Tokyo in December 2005. At the workshop, ARF member countries held active discussions on frameworks for cooperation and coordination for maritime security in the region, and on future challenges.

(4) Comprehensive Approach to Conflicts

Since the end of the Cold War, we have witnessed conflicts in many parts of the world due to a variety of reasons. Conflicts often result in tragedy such as massive numbers of refugees or genocide, and also result in the creation of the "failed states", which may become a breeding ground for weapons of mass destruction and terrorism. Conflicts thereby have become a major problem for the international community. Recently, in order to restore peace and stability in conflict regions, it has become more important for the international community to cover the entire spectrum of conflict resolution, recovery, reintegration to society and reconstruction, from a long-term and comprehensive perspective.

To resolve conflicts permanently and to pursue reconstruction in a sustainable way, Japan considers it necessary for the international community to unite in promoting efforts aimed at the "consolidation of peace," composed of three factors: (1) promotion of peace process; (2) securing of domestic stability and security; and (3) restoration of the peaceful lives of people (humanitarian and reconstruction assistance). Based on this recognition, Japan is utilizing Official Development Assistance (ODA) and other diplomatic means to make specific efforts together with the United Nations (UN) and other international agencies, individual countries, and non-governmental organizations (NGOs).

Regarding conflict prevention and peace building, Japan has been supporting the disarmament, demobilization, and reintegration (DDR) process in Afghanistan. Japan has been providing personnel and financial support for policymaking, reaching out to military factions, establishment and management support for DDR implementation organizations, and organizing of international observers to ensure impartiality in the DDR process.

As a result, approximately 63,000 ex-combatants have already been disarmed. Some 62,000 of them have been demobilized and about 60,000 of them are in the process of reintegration into society. Following the DDR process, Disbandment of Illegal Armed Groups (DIAG) is the next challenge. In this field, Japan is acting as coordinator.

Japan has also undertaken international peace cooperation, including participation in United Nations peacekeeping operations. Since 1996, for example, Japan has continuously dispatched transport units and headquarters' staff officers to the United Nations Disengagement Observer Force (UNDOF) which supports the Middle East peace process through such means as ceasefire monitoring in the Golan Heights. Approximately 900 personnel have been dispatched to date. From March 2002 to June 2004, Japan dispatched about 2,300 Self-Defense Force personnel to Timor-Leste to participate in the United Nations Transitional Administration in East Timor (UNTAET) and subsequently the UN mission of Support in East Timor (UNMISSET). Moreover, Japan has provided material support for international peace cooperation. For example, in October 2005, Japan provided 27 four-wheeled vehicles, 60 landmine detection devices and 20 large tents to the UN Mission in Sudan (UNMIS) for the activities of the African troops (Kenyan and Zambian) on the request of the UN.

(5) Disarmament and Nonproliferation.

Against the backdrop of North Korea's and Iran's nuclear issues as well as proliferation of weapons of mass destruction including acquisition of nuclear materials by terrorists, Japan has vigorously made various diplomatic efforts to maintain and strengthen the international disarmament and non-proliferation regime.

With a view to realizing a peaceful and safe world free of nuclear weapons, Japan regards the maintenance and strengthening of the international nuclear disarmament and non-proliferation regime based on the Treaty on the Non-proliferation of Nuclear Weapons (NPT) to be of vital importance. It was highly regrettable that neither the NPT Review Conference nor the United Nations World Summit Meeting in 2005 was able to reach an agreement on substantive matters. On the other hand, the resolution on nuclear disarmament entitled "Renewed Determination towards the Total Elimination of Nuclear Weapons," a resolution Japan has been submitting annually since 1994, was adopted by the General Assembly with the largest number of supporting votes ever.

In Asia, Japan attaches importance on strengthening international frameworks on disarmament and non-proliferation. In particular, with economic developments, the ASEAN countries have come to acquire capacity to produce materials and technologies that can be diverted to the development of WMD. In light of such trends, Japan has been strengthening outreach activities to other Asian countries based on the following three pillars: (1) promoting conclusion of WMD-related treaties and strengthening their national implementation; (2) developing and enhancing export control systems; and (3) promoting the Proliferation Security Initiative (PSI).

With regard to the PSI, Japan has participated in all interdiction exercises hosted by other countries, and will continue to actively take part in these activities in 2006. Moreover, in October 2004, Japan hosted a PSI maritime interdiction exercise and promoted understanding of PSI among non-PSI countries. These efforts have led to various outcomes, as exemplified by the Philippine's expressing of support for PSI in September 2005. Japan is determined to continue to actively promote PSI outreach activities.

With regard to the Asian Senior-Level Talks on Non-proliferation (ASTOP), which was launched in 2003 by the Government of Japan in order to conduct comprehensive discussions on non-proliferation in Asia, the third meeting was held in Tokyo in February 2006 and resulted in promotion of understanding in the non-proliferation field, as well as drawing a clear picture of future cooperation.

Concerning the export control system, Japan is making contributions to bring about a better understanding of the importance of export control, and to strengthen export control in Asian countries in order to promote the non-proliferation of weapons of mass destruction, through such means as hosting the Asia Export Control Seminar and Japan International Cooperation Agency (JICA) export control training programs.

From the viewpoint of disarmament, non-proliferation and preventing environmental pollution in the Sea of Japan, Japan has been engaged in cooperation to dismantle decommissioned nuclear submarines in the Russian Far East, called "Star of Hope". Through this program, one nuclear submarine was dismantled and five more will be dismantled in the future.

Japan will continue to make various diplomatic efforts in order to maintain and strengthen the international disarmament and non-proliferation regime with a view to realizing a world free of nuclear weapons and conflicts.



ARF CBM Workshop on Peace Arrangements Ensuring Stability and Security in the Region, including Civil-Military Cooperation, 22-23 March 2005, Tokyo, Japan

**ASEAN REGIONAL FORUM
ANNUAL SECURITY OUTLOOK 2006
MALAYSIA**

Introduction

1. Malaysia's regional security perception, like most countries, is governed by both economic and geopolitical considerations. Foreign trade accounts for almost 85% of Malaysia's Gross Domestic Product. Its major trading partners are Asia Pacific countries accounting for about 62% of its total external trade. More than half of this trade is with ASEAN member countries.

2. The Asia Pacific region, with over 2.5 billion people, or about 40% of the world's population and a GDP in excess of some USD8 trillion, and a foreign exchange reserve of some USD2 trillion is as much important to Malaysia as it is to ASEAN.

3. Geographically, Malaysia sits astride one of the busiest waterways in the world – the Straits of Malacca. Given the importance of trade to Malaysia, the security of the Straits of Malacca is of paramount importance. To the east lies the South China Sea where China, Brunei, Malaysia, the Philippines and Viet Nam have overlapping territorial claims.

4. Malaysia is a democracy based on a plural society that stresses inclusive governance, social justice and tolerance. Malaysia has always been, and will remain, progressive and moderate both domestically and in its relations and interaction with the rest of the world. Multilateralism and regional cooperation is very important to Malaysia. These are some of the basic factors that influence Malaysia's perception of the regional security environment and outlook.

Overview of Regional Security Situation

5. The overall situation in the Asia-Pacific region is generally peaceful, secure and stable. To some extent this has been due to the role of the ASEAN Regional Forum (ARF) and the desire of ASEAN and its Dialogue Partners to maintain a peaceful and stable Southeast Asia.

6. Looking ahead, there appears to be several challenges to peace and stability in the region. The challenges are basically of two types: those relating to the traditional security challenges and non-traditional security threats. Since the 9/11 tragedy, international terrorism has gained prominence. Similarly piracy, illegal migration, smuggling of small arms and light weapons, trafficking of illegal

drugs, money laundering and other criminal activities have become major concerns to the international community.

7. It should be underlined that the positive security outlook for the region has also been made possible by the combination of positive regional macroeconomic situation, including current account surpluses, surging international reserves, declining public sector debt and improved domestic growth conditions in many countries in the region.

Treaty on the Southeast Asia Nuclear Weapon-Free Zone (SEANWFZ)

8. ASEAN has been working gradually to create a Zone of Peace, Freedom and Neutrality (ZOPFAN) in Southeast Asia. Towards this end, ASEAN has put in place relevant building blocks over the years such as the Treaty of Amity and Cooperation in Southeast Asia (TAC) and the Southeast Asia Nuclear Weapons Free Zone Treaty (SEANWFZ Treaty). Attached to the SEANWFZ Treaty is a Protocol, which is open for signature by the five Nuclear Weapon States (NWS). In this context, Malaysia has reaffirmed the importance of vigorous efforts to further strengthen cooperation in supporting the implementation of the Treaty on the Southeast Asia Nuclear Weapon-Free Zone (SEANWFZ). Malaysia has consistently urged the five NWS to become parties to the Protocol of the SEANWFZ Treaty as soon as possible and welcomed China's intention to do so.

Treaty of Amity and Cooperation in Southeast Asia (TAC)

9. ASEAN has worked hard in ensuring that the Treaty of Amity and Cooperation in Southeast Asia (TAC) as the primary diplomatic instrument governing inter-state relations in the region be acceded by its Dialogue Partners. Almost all of ASEAN Dialogue Partners have acceded to the Treaty. To date, 10 non-ASEAN member countries which are ARF participating countries have acceded to the Treaty, namely Australia, China, India, Japan, Mongolia, New Zealand, Pakistan, Papua New Guinea, Republic of Korea, and the Russian Federation. Malaysia is indeed encouraged by these accessions to the TAC. Malaysia sees them as a clear signal of the commitment of these countries to ensure peace and stability in the region. Malaysia concurs with the ASEAN view that the Treaty which has been acceded to by all the ASEAN+3 countries, could be a regional code of conduct governing inter-state relations. The Prime Minister of Malaysia had suggested during the Second East Asia Forum in Kuala Lumpur in December 2004 that East Asia can be conceptualized as a conflict-free zone known as the East Asian Zone of Amity and Cooperation. Perhaps this could be realised and then expanded further to the Asia Pacific region when all the countries in the region accede to the TAC.

Situation in Southeast Asia

10. There are several challenges and significant developments relating to peace and stability in Southeast Asia. In Indonesia, the Memorandum of Understanding (MoU) signed between the Government of Indonesia and the Free Aceh Movement (Gerakan Aceh Merdeka-GAM) on 15 August 2005 in Helsinki, Finland has brought to an end the 30-year bitter conflict in Aceh. Following the signing of the MoU, the Aceh Monitoring Mission was set up. Malaysia has joined the European Union and four other ASEAN member countries namely Thailand, the Philippines, Brunei Darussalam and Singapore to participate in monitoring the peace process in Aceh at the invitation of the Government of Indonesia and the Free Aceh Movement (Gerakan Aceh Merdeka-GAM) .

11. In the Southern Philippines, Malaysia is currently leading an International Monitoring Team (IMT) in Mindanao to monitor the ceasefire between the Government of the Philippines and the Moro Islamic Liberation Front (MILF) since 12 October 2004. The principal task of the IMT is to monitor the implementation of the 2001 Peace Agreement between the Government and the MILF. The other participating countries in the IMT are Brunei Darussalam and Libya. The total number of personnel involved in the IMT is 70.

12. In Timor Leste, following the formal request by its Government for immediate assistance to deploy defence and security forces due to escalating violence and civil unrest in the country, Malaysia decided to respond positively to the request. Malaysia has despatched 338 soldiers and 250 police personnel to join Australia, New Zealand and Portugal. The total number of foreign forces operating there now is approximately 2,500. This has been endorsed by the Security Council through a Presidential Statement issued on 25 May 2006. Malaysia views this exercise as a limited engagement. Malaysia had previously assisted the Government of Timor Leste in the training of its officials, and will consider assisting Timor Leste in human resource development in the future.

13. Malaysia follows closely the situation in Myanmar, including the development of the National Convention and the progress of the Road Map towards democratic process. Malaysia has also called for the lifting of restrictions and for effective dialogue with all parties concerned. The Honourable Dato' Seri Syed Hamid Albar, Minister of Foreign Affairs of Malaysia in his capacity as the Chairman of the 39th ASEAN Standing Committee undertook a working visit to Myanmar on 23-24 March 2006 as mandated by the Leaders at the 11th ASEAN Summit in Kuala Lumpur in December 2005. Malaysia noted the initiative taken by Mr. Ibrahim Gambari, the UN Under-Secretary General for Political Affairs, to visit Myanmar on 18-20 May 2006.

14. In dealing with sensitive political and sovereignty issues, Malaysia has always been guided by the principles of non-interference in the internal affairs of its neighbouring countries; not supporting any struggle by groups that would

affect the territorial sovereignty and integrity of any country, and not supporting any separatist group and will not provide political asylum to any of its members or leaders.

15. Malaysia had also successfully hosted the inaugural ASEAN Defence Ministers' Meeting (ADMM) in Kuala Lumpur on 9 May 2006. The convening of the ADMM is indeed an important development as it signified the inclusion of defence and security matters within the framework of ASEAN in a formal sense. It is also in accordance with the activities envisaged under the ASEAN Security Community, one of the three pillars of ASEAN. The ADMM will initiate and guide appropriate mechanisms that will contribute towards the successful implementation of defence and security activities under the ASEAN Security Community Plan of Action. In this regard, Malaysia hopes that the second ADMM to be convened in Singapore next year will continue with the momentum set by the first ADMM.

South China Sea

16. There has been progress in the South China Sea, since the signing of the ASEAN-China Declaration on the Conduct of Parties in the South China Sea (DoC) in November 2002 in Phnom Penh. The First and Second Meetings of the ASEAN-China Joint Working Group on the DoC were successfully held in Manila in August 2005 and in Hainan, China in February 2006 respectively with the purpose of identifying specific measures and activities to implement the Declaration. Malaysia hopes that with the implementation of the DoC, ASEAN and China would move towards the eventual adoption of a Code of Conduct for the South China Sea.

Situation in Northeast Asia

17. The Northeast Asian region remains an area of concern. DPRK still remains outside the Non-Proliferation Treaty (NPT) and has withdrawn from the 1992 Basic Agreement. Cooperation with the International Atomic Energy Agency (IAEA) is important. Malaysia is concerned over the stalled six-party talks process and urges all parties to return to the negotiating table as soon as possible. The positive outcome of the six-party talks is the only way towards reducing tension in the peninsula. A denuclearized Korean Peninsula would ensure peace, prosperity, security and stability in the region.

18. Malaysia is also concerned over the latest developments in the Korean Peninsula with the test-firing by DPRK of its Taepodong-2 missiles on 4 May 2006. This action by DPRK could have adverse repercussions on peace and stability in the region. In this regard, Malaysia takes note the unanimous adoption

of the UNSC 1695 and hoped that the DPRK would abide by its provisions in the interest of peace in the region.

Middle East

19. Malaysia welcomes the outcome of the Palestinian Legislative Council (PLC) elections in Palestine on 25 January 2006, which was a clear indication of the free expression of democratic will of the Palestinian people. Malaysia maintains the position that the United Nations Resolutions on the Israeli-Palestinian conflict must serve as a logical starting point for the restoration of Palestinian rights; there must be a total and complete Israeli withdrawal from Gaza and the West Bank to its pre-1967 borders; a sovereign and independent Palestinian state should be established on the Gaza and West Bank with Jerusalem as the shared capital of both Palestine and Israel; and Palestinian refugees should also be allowed to return to both Israel and the new Palestinian state.

20. Malaysia is deeply concerned over the developments in the Palestinian occupied territories, particularly the events taking place in Gaza and Lebanon following the military actions taken by Israel.

21. Malaysia regrets that Israel has again resorted to the excessive use of force in contravention of the United Nations Charter, international law and international humanitarian law. Israel's indiscriminate bombing on airports, sea ports, power plants, bridges and other civilian installations and infrastructure in Lebanon have created a humanitarian situation in the region and will inevitably undermine any efforts towards reviving the Peace Process.

22. Malaysia condemns the aerial bombardments as well as the ground offensive by Israel which has caused tremendous damage and suffering to the Palestinian and Lebanese people. Malaysia deplores the detention of Palestinian Ministers, members of the Palestinian Legislative Council and officials. Any further escalation of the conflict could degenerate into a wider Arab-Israeli war.

23. Malaysia calls on the international community to put pressure on Israel to cease hostilities. Malaysia welcomes in particular the initiative of the United Nations Secretary General, Mr. Kofi Annan for an International Peace-Keeping force to be deployed with a view to achieving a complete cessation of hostilities between the parties concerned.

24. Malaysia firmly believes that all measures related to the future of Iraq must be undertaken on the basis of respect for the sovereignty, territorial integrity, political independence and security of Iraq as well as for the well being of the Iraqi people. Malaysia is encouraged by the determination of the Iraqis in taking important steps in the political process towards reconciliation and shaping the

democratic and independent future of Iraq. Malaysia welcomes the parliamentary election in Iraq last December and subsequent establishment of the Iraqi Government of national unity on 20 May 2006.

25. However, Malaysia is concerned over the security condition in Iraq, including the sectarian killings and continued attacks on civilians and places of worship. The Iraqi authorities and others should improve the security situation in Iraq and to engage with all parties in resolving the political differences through peaceful democratic means to bring about the national unity and political stability that would contribute to a durable peace, security and prosperity in the country.

Peacekeeping Operations

26. During the Keynote Address by the Chairman of the 13th ASEAN Regional Forum on 29 May 2006, the Honourable Dato' Seri Syed Hamid Albar, and Minister of Foreign Affairs of Malaysia at the Inaugural Meeting of the ARF Expert and Eminent Persons (ARF EEP), the Chairman propounded the idea for the ARF to have a peacekeeping force or a rapid reaction force as part of preventive diplomacy.

27. The concept of an ARF Peacekeeping Force or Rapid Reaction Force could be acceptable to all ARF countries but the real test is in getting funding for such operations. Peacekeeping operations are an expensive venture. The UN Peacekeeping Budget for instance is three times that of the UN regular budget. For the years 2005/2006 the UN spent a total of some US\$ 5 billion.

28. Malaysia has been involved in the United Nations Peacekeeping Operations (UNPKOs) since the United Nations Operation in Congo in October 1960. To date, Malaysia has participated in 17 peacekeeping missions and 2 UN-mandated-NATO-led PKOs namely the Implementation Force (IFOR), Stabilisation Force (SFOR) in Bosnia-Herzegovina and the International Force East Timor (INTERFET). Currently, Malaysia is participating in 9 UNPKOs with the deployment of 94 personnel involving both military and police personnel. Most of the ARF countries have participated in one way or another in UNPKOs.

29. Malaysia had also established a Peacekeeping Training Centre in Port Dickson in 1996. This centre provides training to personnel of armed forces, police, civil departments as well as NGOs to prepare them on operational duties in peacekeeping operations. In fact, peacekeeping training centres have mushroomed in many of the ARF countries. ARF countries could perhaps pool their resources together in Peacekeeping Operations and see how best they would be utilised and coordinated not only in areas of conflict, but also perhaps in the humanitarian assistance.

Counter-Terrorism

30. Terrorist activities still remain a major issue. It is tragic that international terrorism remains a serious threat and of grave concern to all of us, five years after the 9/11. Countries in the region however are committed to working together to cooperate against international terrorism. In this regard, ASEAN has signed the Joint Declaration for Cooperation to Combat International Terrorism with almost all ASEAN Dialogue Partners. At the 38th ASEAN Ministerial Meeting in Vientiane last July, the Republic of Korea, New Zealand and Pakistan signed similar declarations. Canada which is the only ASEAN Dialogue Partner which has yet to sign the Joint Declaration will do so at the forthcoming 39th AMM/PMC in July 2006 in Kuala Lumpur.

31. Malaysia believes that the external building blocks of ASEAN's war on terrorism have been put in place. Clearly the next step is to put these joint declarations into practical cooperation to complement ASEAN's own counter-terrorism cooperative measures. ASEAN has also begin discussions for an ASEAN Convention on Counter-Terrorism.

32. Malaysia welcomed the continued cooperation between the counter-terrorism regional centres, in particular, the Southeast Asia Regional Centre for Counter-Terrorism (SEARCCT) in Kuala Lumpur, the International Law Enforcement Academy (ILEA) in Bangkok and the Jakarta Centre for Law Enforcement Cooperation (JCLEC) in Semarang to enhance human and institutional capacity building.

33. Malaysia has made serious efforts in supporting the various international conventions related to counter-terrorism. Malaysia is currently a State Party to five of the 13 existing Conventions and Protocols, i.e.:

- a. 1963 Convention on Offences and Certain Other Acts Committed on Board Aircraft (Tokyo Convention);
- b. 1970 Convention for the Suppression of Unlawful Seizure of Aircraft (Hague Convention);
- c. 1971 Convention for the Suppression of Unlawful Acts against the Safety of Civil Aviation (Montreal Convention);
- d. 1973 Convention on the Prevention and Punishment of Crimes against Internationally Protected Persons, including Diplomatic Agents; and
- e. 1997 International Convention for the Suppression of Terrorist Bombings.

34. Malaysia is taking measures to accede or ratify the eight other remaining Conventions and Protocols, subject to the completion of certain legislative and administrative measures. The Conventions and Protocols are:

- a. 1979 Convention against the Taking of Hostages;
- b. 1979 Convention on the Physical Protection of Nuclear Material;
- c. 1988 Convention for the Suppression of Unlawful Acts against the Safety of Maritime Navigation;
- d. 1988 Protocol for the Suppression of Unlawful Acts against the Safety of Fixed Platform Located on the Continental Shelf;
- e. 1988 Protocol for the Suppression of Unlawful Acts of Violence at Airports Serving International Civil Aviation, supplementary to the Montreal Convention;
- f. 1991 Convention on the Marking of Plastic Explosives for the Purpose of Detection;
- g. 1999 Convention for the Suppression of the Financing of Terrorism; and
- h. 2005 International Convention for the Suppression of Acts of Nuclear Terrorism.

35. Malaysia continues to reaffirm its support for the various UN Resolutions on counter-terrorism and is actively implementing the sanctions against terrorists and their associates, particularly in the freezing of assets, travel bans and arms embargo, as provided in Resolutions 1267(1999), 1390(2002), 1455(2003) and 1617 (2005). Pursuant to UNSC Resolution 1373, Malaysia has submitted five reports to the UN Counter Terrorism Committee (CTC) pertaining to its counter-terrorism measures. These reports have been published by the CTC on 8 January 2002, 4 December 2002, 15 July 2003, 17 September 2004, and 22 December 2005 respectively.

Non-Proliferation of Weapons of Mass Destruction

36. Malaysia believes that the proliferation of Weapons of Mass Destruction (WMD) and their delivery vehicles remain a serious security challenge of our time as they might fall into terrorist hands. In this connection, Malaysia urges all states to sign and conclude the International Convention for the Suppression of Acts of Nuclear Terrorism and to provide for its early entry into force. There is the need to continue strengthening the international legal foundation in combating

terrorism and the adoption without delay of the Comprehensive Convention on International Terrorism. The adoption by the UN Security Council of the Resolution 1540 signifies the world community's efforts in preventing proliferation of WMD to non-state actors. In this respect, Malaysia supports the efforts of the 1540 Committee and called upon all States to ensure effective and full implementation of the Resolution.

37. Malaysia also sees the need for the states parties to the Non-Proliferation Treaty (NPT) to undertake further efforts to strengthen the NPT bearing in mind the discussions at the 2005 Review Conference and to make further efforts to strengthen compliance with and enforcement of all provisions of the Treaty. Malaysia supports the important role of the NPT in preventing nuclear proliferation and promoting nuclear disarmament as well as the peaceful use of nuclear energy.

Maritime Security

38. Maritime Security is another area of concern to the region and international community. With regard to maritime security in the region, Malaysia believes that the focus should be on how cooperation between littoral states and user states could be enhanced without impacting on the sovereignty and territorial integrity of the former. Piracy cases have dropped drastically in the Straits of Malacca. In the first quarter of 2006, not even one case was reported. This is the result of the existing mechanisms, close cooperation and co-ordinated patrols of the navies of the littoral states of the Straits of Malacca, i.e. Malaysia, Indonesia, and Singapore as well as the implementation of the 'Eyes in the Sky' programme.

39. Clearly there has been no evidence that the Straits of Malacca is a terrorist target or area of activity. There is no link between piracy and terrorism. Malaysia is of the view that the hyping up of terrorism threats in the Straits should stop. Malaysia and the other littoral states, with the cooperation and assistance from the user states, will continue to be vigilant so that the Straits of Malacca remains a safe artery for global trade.

Disaster Relief & Emergency Response

40. On natural disasters, the region has seen one of the most catastrophic natural disasters in the history of mankind when Tsunami struck at the end of 2004. Early this year, we witnessed the landslide in Southern Leyte, the Philippines. Just recently on 17 July 2006, another tsunami, triggered by an earthquake measuring 7.2 on a richter scale slammed the west coast of Java, killing 600 people. Natural disasters are a permanent feature in this part of the world. Malaysia is committed to enhance regional capacity in dealing with natural

disasters and agreed to strengthen the regional disaster early warning and monitoring capacities through real time information sharing.

41. Malaysia has welcomed the establishment of the UNESCAP Tsunami Regional Trust Fund in September 2005; which will help speed up on-going efforts to create a reliable Tsunami Early Warning System. Malaysia had taken steps to establish a National Tsunami Early Warning Centre to continuously monitor earthquake occurrence and tsunami on a 24 hours basis, in coordination with the Indian Ocean Tsunami Warning System and the Northwest Pacific Advisory System coordinated by the Intergovernmental Oceanographic Commission, UNESCO. Malaysia had successfully installed 80% of the tsunami early warning network of ocean buoys and tide gauges to monitoring the tsunami wave generation and a network of seismological stations to detect earthquakes in nearby seismic zones. The buoys will be able to measure seismic activity, wave speed and temperature changes in the sea and transmit the data obtained to the National Tsunami Early Warning Centre in Malaysia.

42. The Pacific Tsunami Warning Centre in Honolulu, Hawaii and the Japan Meteorological Agency Tokyo has provided valuable tsunami advisories to Malaysia. The Tsunami Warning Centre will disseminate information on tsunami warning to relevant agencies and public through mobile phones, electronic media, television and radio, web pages, fax, phones, public announcement systems (mosques in remote costal areas) and sirens. Malaysia's comprehensive tsunami early warning system, which cost RM20 million will be fully operational by the end of 2006 after the third buoy is installed in the Sulu Sea.

43. Malaysia also agreed to strengthen ASEAN standby arrangements for disaster relief and emergency response and to enhance the linkages with other regional and global standby arrangements through sharing earmarked assets, joint exercise in search and rescue and expediting the establishment of common guidelines and standard operating procedures in order to ensure rapid responses to emergencies.

44. In June 2006, the Deputy Prime Minister of Malaysia broached the idea of establishing a Regional Centre for Humanitarian Assistance, Search and Rescue during the Five Power Defence Arrangement (FPDA) Ministerial Meeting in Singapore which was well received. The ARF could also look at that idea and expand it further since all FPDA members are also ARF participants.

Regional Security Architecture

45. Some countries have pointed out the notable difference between the Asia Pacific region as compared to Europe is the absence of any overarching regional security framework or structure. Malaysia has always place ASEAN in the forefront of its foreign policy. Malaysia believes that ASEAN should be the core and driving force of the sub-regional fora and groupings in the region such as the ASEAN Regional Forum (ARF), the Post Ministerial Conferences (PMC), the ASEAN+3 process, the annual ASEAN Summits including those with the Dialogue Partners, and the East Asia Summit as well as other inter-regional forum such as APEC, ASEM and FEALAC.

46. The Five Power Defence Arrangements (FPDA) continues to evolve as a significant component of the regional security architecture. Since its existence for almost three and a half decades, the FPDA has not only contributed much to the defence of Malaysia but also towards peace and stability in the region. FPDA's recent focus on maritime security besides conventional capability underscores its continued relevance to the current security challenges. Malaysia is committed to the FPDA and would continue to support its new initiatives that contribute to the regional security.



ARF Senior Officials Meeting, Karambunai, Sabah, Malaysia, 19 May 2006

**ASEAN REGIONAL FORUM
ANNUAL SECURITY OUTLOOK 2006
NEW ZEALAND**

Overview

The Asia-Pacific region is characterised by largely stable relationships between states. However, there remain areas of tension in our region where the risk of conflict may be low, but its consequences could be severe. This combination - stability between states, the persistence of areas of tension in the region - presents the ARF with a window of opportunity to give substance to the concept of preventive diplomacy.

2. The more immediate security challenges are trans-national in nature. International terrorism remains the primary contemporary security challenge, and requires a multi-layered response. New Zealand continues to contribute to the international military campaign against terrorism, to strengthen domestic counter-terrorism measures, and to work with our Pacific partners to strengthen their capacity. As a co-sponsor of the Regional Interfaith Dialogue, New Zealand recognises the need to address the underlying factors which may contribute to terrorist recruitment, and the opportunity to promote a culture of peace and tolerance in the region.

3. Risks from the proliferation of weapons of mass destruction intersect with those from international terrorism to create a nexus of serious risk. We have a collective responsibility to promote non-proliferation and disarmament, through the UN, the multilateral treaty system, and initiatives such as the Proliferation Security Initiative. Other trans-national threats, whether natural (disease and natural disasters) or artificial (piracy and trans-national crime) are developing in ways which require new responses. The ARF must complement multilateral and regional action against these threats.

4. Trans-national threats can also increase the risks, and impacts, of state fragility and failure. Conflict and governance failures within states can have consequences beyond their borders. Yet there are also positive examples. The regional intervention in the Solomon Islands is an example of regional cooperation and measured intervention in fragile states. Timor Leste's participation in the ARF reflects its successful transition to statehood.

Regional Security

5. Against the background of a complex and uncertain global security environment, relationships between states in the Asia-Pacific region are generally stable. This forms a positive strategic environment in which to manage regional tensions. Yet there remain areas of tension within our region where, although the risk of conflict may be low, the consequences of miscalculation could be severe.

6. New Zealand, with other ARF members, welcomed the September 2005 joint statement issued by the parties to the Six Party Talks, and the DPRK's undertaking to return to the NPT, and to IAEA safeguards, "at an early date". The lack of subsequent progress, and of DPRK commitment to resume the talks, is disappointing. It is however important that the ARF continue to support the Six Party Talks, and the participants, including China in its role as Chair.

7. While events across the Taiwan Strait do not feature on the ARF agenda, any conflict there would have serious international consequences. Similar considerations apply as between India and Pakistan in South Asia. New Zealand continues to support the bilateral composite dialogue process, and associated confidence-building measures and people-to-people initiatives. This serves as an important basis for addressing the issues of concern to India and Pakistan. We continue to urge both countries to become parties to the NPT and CTBT without delay and without conditions.

8. The persistence of tensions within our region underlines the need for the ARF to give tangible effect to Ministers' decision to proceed to the second phase of ARF development, preventive diplomacy. The stability of inter-state relationships in our region provides the ARF with a window of opportunity to give tangible effect to the concept of preventive diplomacy – to help prevent disputes between states, to help prevent such disputes from escalating, and to minimise their impact on the region.

Trans-national threats

9. In contrast to the relative stability of major power relationships, overlapping trans-national threats create a complex and uncertain strategic environment. Principal among these threats is international terrorism, which remains a defining challenge for national security – for its scope to magnify other trans-national threats (proliferation of weapons of mass destruction, disease, piracy), because of the resources which must be devoted to countering it, and because of its intersection with human rights principles in government responses.

10. New Zealand recognises that international terrorism requires a comprehensive, multi-layered and long term response. Outside the ARF region, New Zealand has contributed to the international military campaign against terrorist infrastructure in Afghanistan, and to the Multinational Interdiction Operation in the Arabian Sea. As a committed member of the United Nations, New Zealand places great importance on compliance with international counter-terrorism standards, and continues to strengthen border controls and intelligence capabilities to improve domestic security. We are working with our Pacific Island partners to strengthen the region's capacity to meet international counter-terrorism benchmarks and to strengthen trade, transport and border security infrastructure. We have concluded a Joint Declaration for Cooperation to Combat International Terrorism with ASEAN.

11. Alongside these direct responses to terrorism, New Zealand recognises the need to address religious extremism, and to discourage terrorist recruitment, as part of the process of promoting peace and security in our region. New Zealand has been an active supporter of the regional Interfaith Dialogue process since its launch at Yogyakarta, Indonesia in December 2004 and, along with Australia, Indonesia and the Philippines, co-sponsored the second meeting of the dialogue in Cebu, the Philippines in March 2006. New Zealand has now offered to host the third Dialogue in 2007.

12. The continued existence of nuclear weapons and of other weapons of mass destruction, the risk that more countries may seek access to them, and the growing danger of these weapons falling into the hands of terrorist groups, underscore our collective responsibility to promote disarmament and non-proliferation. New Zealand urges ARF members who are not currently party to the Nuclear Non-Proliferation Treaty and the Comprehensive Nuclear Test Ban Treaty to join these treaties, and urges all ARF members to fully implement the Chemical Weapons Convention and the Biological Weapons Convention without delay. New Zealand shares the view of the UN Secretary General that the Proliferation Security Initiative is an important initiative for combating the illegal trafficking in weapons of mass destruction and their delivery systems. New Zealand is committed to the PSI Principles and contributes to PSI exercises.

13. ARF members face a range of other trans-national threats, often representing enduring problems, but requiring new responses: natural disasters, piracy and other maritime security threats, disease, and trans-national crime including trafficking in people, weapons and narcotics. The ARF has a valuable role to play in coordinating regional responses to these threats, consistent with multilateral frameworks.

State fragility and failure

14. Trans-national threats can increase the risks, and impacts, of state fragility and failure. Conflict and governance failures within states can have consequences beyond their borders. These concerns reinforce New Zealand's commitment to contribute to UN and regional interventions to support fragile and failing states.

15. New Zealand played an important role in restoring stability to the Papua New Guinea island of Bougainville, and to Timor Leste. We welcome the fact that Timor Leste is now a full member of the ARF. More recently, the Regional Assistance Mission in the Solomon Islands, or RAMSI, offers a model of regional cooperation and measured intervention in fragile states. RAMSI has made significant progress in restoring security following the widespread violence of 1998-2003, and in working with the national government to rebuild state institutions. As demonstrated by the civil unrest in Honiara in April 2006, however, peace remains fragile. New Zealand will continue to contribute to RAMSI, a task we share with Australia, Fiji, Papua New Guinea, and Tonga.

16. Looking ahead, there exists an increasing sense of vulnerability in the Pacific region, particularly Melanesia, to the many pressures facing small, remote Pacific Island states, especially relating to internal security but also including from the incidence of drugs, small arms proliferation, organised crime, people and goods smuggling, illegal fishing and compromised sovereignty.

17. Beyond the Pacific, there are other problems of state governance in the ARF region. The governance and human rights situation in Myanmar is particularly grave. New Zealand is deeply concerned at the deteriorating political situation in Myanmar, the denial of human rights, and the detention of opposition leaders including Aung San Suu Kyi. This is an issue with impact beyond Myanmar's borders. We support ASEAN efforts to identify a constructive way forward.

18. While our region will continue to face issues of internal conflict, we have seen positive examples of conflict resolution which help point the way forward. In particular, the commitment of the Government of Indonesia to resolve the Aceh conflict, with the support of ASEAN and the EU in particular, will greatly assist the reconstruction process in Aceh and offers a positive example for the region and beyond.

19. New Zealand's commitment to the principle of multilateral and collective responses to these challenges to security, order and development, whether in the ARF region or beyond, is longstanding. New Zealand currently contributes some 220 Defence Force and 50 Police personnel to 19 peace support missions globally. New Zealand's main current contributions are in Afghanistan (a 122-strong provincial reconstruction team, a number of staff officers in various

headquarters, and Police and military trainers) and in the Solomon Islands (normally 38 Police, 1 military staff officer and a 46 person military platoon on rotation). In Asia, New Zealand contributes to UNMAC in Korea (3 personnel) and to UNOTIL in Timor-Leste. In the Middle East, New Zealand is a longstanding contributor to both UNTSO (7 personnel) and the MFO (26 personnel). 14 New Zealand personnel are deployed on 7 UN peacekeeping missions, including 3 officers in the UN Mission in Sudan.

20. Alongside peace support operations New Zealand provides humanitarian assistance in complex emergencies, and supports reconstruction and promotes development when the conflict is over. New Zealand development assistance, to the degree possible in a situation of armed conflict, takes account of the principles of good development including partnership, participation, and sustainability.

Role of the ARF

21. The breadth, diversity and complexity of these security challenges – international, trans-national and sub-national – underscores the urgency of the tasks before the ARF. At a time of rapid change in the regional architecture, the ARF remains the only regional inter-governmental forum dedicated to security issues. The inauguration of the East Asia Summit process, and the evolution of APEC's role, sharpen the focus on the ARF's capacity to contribute to regional security.

22. The ARF has succeeded in creating an inclusive and comprehensive forum for dialogue on regional security issues, and in fostering a range of confidence-building measures. Yet dialogue and confidence-building measures alone are insufficient. From an early stage it was envisaged that the ARF would progress to preventive diplomacy and, ultimately, to develop mechanisms for conflict resolution. Ministers have agreed that, twelve years after the ARF's inception, it is time to add preventive diplomacy to the ARF "toolbox". The task of giving substance to this decision is an urgent one. ARF participants have a shared responsibility to move beyond existing ARF practice into new initiatives which will develop and operationalise the concept of preventive diplomacy. The existing regional security environment – stability between states, alongside serious, complex and overlapping trans-national and sub-national security challenges – provides an ideal window of opportunity to do so.

23. If the ARF is to fulfil this role, it will need to accelerate the process of organisational improvement. It will be essential, for example, to create an effective Friends of the Chair mechanism. Linkages with the track two process, and development of the Expert and Eminent Persons concept, can contribute to the ARF's effectiveness. The ARF has a full agenda for the coming year.

**ASEAN REGIONAL FORUM
ANNUAL SECURITY OUTLOOK 2006
PHILIPPINES**

Overview of the Regional Security Environment

The Philippines believes that regional security is relatively stable despite the presence of threats to security in the region. Growing international cooperation and interdependencies will continue to be among the dominant factors that will push states to work for a better international and regional security environment.

The Philippines takes pride in the growing role and influence of Asia in international affairs, including the crucial role played by India and China in regional security and stability. As such, the Philippines intends to enhance its security environment along the lines of cooperative activities with its neighbors, and find strategic ways on how such cooperative endeavors can contribute to the ASEAN security environment in general. This alignment, however, must complement other bilateral commitments of the Philippines despite the challenges that its relations pose to its own security and stability.

The existing cooperation and interdependencies, enhanced by the present multipolar world, ensure the continuous good bilateral and multilateral relations between and among countries in the Asia-Pacific region. These good relations are needed to foster political stability and economic development of countries within the Asia-Pacific region in particular.

Regional and subregional organizations will continue to play a significant role in the attainment and maintenance of the politico-security and economic development of the region. These organizations, including the United Nations (UN) and its organizations, the Association of Southeast Asian Nations (ASEAN), the ASEAN Regional Forum (ARF), the Asia Cooperation Dialogue (ACD), the Asia-Pacific Economic Cooperation (APEC), the Asia Middle East Dialogue (AMED), the Asia Africa Summit (AAS) and the World Trade Organization (WTO), among others, provide the institutional mechanism to enable countries to coordinate, cooperate and undertake activities for their development. These organizations must be fully utilized to achieve regional goals as well as for the discussion of sensitive regional issues that may otherwise irritate relations between countries concerned.

The recently conducted East Asia Summit (EAS) reinforces the trend towards Asian regionalization – as countries in the region collectively discuss political and economic issues and challenges faced by the region and the world. The Philippines views this gathering as another positive development in the region's efforts towards mutual understanding and unity.

The importance of the ASEAN is manifested in its central role in the ASEAN + 3, which is the driving force of the EAS. And as Chairman of ASEAN in 2006, the Philippines believes that this will be an opportune time to further strengthen its existing cooperation with other countries in the Asia Pacific region.

The Philippines feels the impact of regional tensions and instability and acknowledges that they affect the country's efforts to achieve economic development and national security. The challenges facing the Philippines and the region include terrorism and insurgencies transnational organized crimes (TNOCs) such as piracy (which includes both maritime and intellectual piracy), cybercrimes, human trafficking, trafficking in goods, illegal drug trade, proliferation of weapons of mass destruction, natural and man-made disasters, and the threat of pandemics.

Addressing such problems is not just the responsibility of the Philippines or any single state. It requires the collective efforts of countries and the cooperation of organizations concerned in order to provide a more organized and effective solution to these problems.

The Philippines' Outlook on the Security Challenges of 2006

A. Traditional Security Concerns

The Asia-Pacific region has seen major changes in its security environment with the emergence of new regional powers and the increasingly active role played by middle powers in the region's dynamics. Such security environment enhances the stability and continuous interaction of countries within the region.

Strategically located in the Asia-Pacific region, the Philippines is concerned over a number of issues and potential flashpoints in the region. The Philippines believes that major power rivalries and bilateral sensitivities, including those in Northeast Asia, must be managed in order to create a peaceful environment that is conducive to both economic and political gains.

1. Situation in the South China Sea (SCS)

The Philippines claims the Kalayaan Island Group (KIG) and the Scarborough Shoal (which is located about 122.7 nautical miles from the west coast of Zambales in northern part of the archipelago) in the SCS as part of its national territory. The Spratly islands are being claimed in whole or in part by the Philippines, China, Taiwan, Vietnam, Malaysia, and Brunei. The dispute in the SCS is one of the most complex regional issues because it involves several claimants, affects non-claimant countries and parties with vital interest in the searoutes of communication in their conduct of trade and commerce, and impinges upon regional security. The conflicting claims of sovereignty over the islands within the area, and the overlapping claims of maritime jurisdiction and control over the vast resources that are found and believed to exist in the SCS present the complexity and the need to effectively manage the issue to avoid untoward incidents.

To manage the SCS issue and to prevent the escalation of tension in the area, the Philippines approaches the SCS issue at two levels: at the bilateral level and at the multilateral or regional level. At the bilateral level, the Philippines signed the Principles for a Code of Conduct in the SCS with China and Vietnam in 1995. These separate sets of principles include the resolution of the dispute through peaceful means based on equality, mutual understanding and other principles, and the recognition of the need to settle the issue in accordance with the United Nations Convention on the Law of the Sea (UNCLOS), among others. To build confidence between the Philippines and Vietnam, both countries have been undertaking the Joint Oceanographic Marine Scientific Research Expeditions (JOMSRE) in the SCS. Should both countries find it favorable, third parties could eventually be invited to take part in this marine scientific research expedition.

At the multilateral level, ASEAN countries signed the ASEAN Declaration on the South China Sea in 1992 to promote the spirit of kinship, friendship and harmony; and to promote conditions essential to greater economic cooperation and growth. This Declaration likewise emphasized the need to address the SCS issue through peaceful means and without resort to force; and urged all parties concerned to exercise restraint in their activities in the SCS to create a positive climate for the eventual resolution of all disputes.

The Philippines believes that the Declaration on the Conduct of Parties in the South China Sea (DOC-SCS), signed in November 2002, effectively managed to convert the area from a zone of tension into a zone of peace. The DOC-SCS embodies the political commitment of ASEAN and China to maintain peace and stability in the area through cooperation and dialogue. Towards the achievement of the long-term goal of regional peace and stability, the Philippines hopes to see

this political declaration transformed into a more binding Regional Code of Conduct in the South China Sea.

However, pending the resolution of this territorial claim, an agreement for a joint marine seismic undertaking in selected areas in the SCS has been concluded by the national oil companies of the Philippines, China, and Vietnam. This initiative hopes to bring cooperation in the SCS, especially in the field of scientific research, to a higher level. The Philippines maintains that this joint undertaking is consistent with its view to pursue collective security and regional cooperation to enhance peace and stability in the SCS. It is likewise consistent with Article 6 of the DOC-SCS, which allows claimant parties to explore and undertake cooperative activities. This breakthrough tripartite agreement reflects the growing level of trust and confidence among claimants and their commitment to pursue peaceful options on the issue in the context of the DOC-SCS.

2. Cross- Straits Relations

The Philippines places great importance in its relations with its Northeast Asian neighbors. As such, the country's relationship with China is moving towards greater comprehensiveness, while its economic and cultural cooperation with Taiwan continues to intensify.

The Philippines urges China and Taiwan to resolve the cross-straits issue through peaceful means. Resolving this issue through military means will have a tremendous negative impact on the region and the Philippines in particular in view of its geographic proximity to Taiwan, as well as the large number of Filipinos living there.

3. Situation in the Korean Peninsula

The Philippines strongly advocates a diplomatic solution to the nuclear issue in the Korean Peninsula, particularly through multilateral diplomatic dialogue, i.e. Six-Party Talks. The denuclearization of the Korean Peninsula is crucial for the security and continued economic development of the region. The Philippines calls on all parties concerned to demonstrate more flexibility so that a negotiated and peaceful settlement of the nuclear weapons issue could be found.

4. Northeast Asian Dynamics

The Philippines values its relations with its neighboring Northeast Asian countries – China, Japan, and North and South Korea. It believes that strong bilateral relations between and among these countries are important to further improve

their relations with the region and the international community as a whole. Thus, it strongly encourages its Northeast Asian neighbors to enhance their bilateral relations in view of a stronger and cooperative East Asian region.

Stability in East Asia is also influenced by the peaceful and stable relations among the United States, China, and Japan. The Philippines is hopeful that the current relatively steady US-China relationship will continue.

B. Non-traditional Security Threats

Terrorism and other transnational crimes undermine the political and economic survival of states and must therefore be addressed by all governments in a comprehensive manner. Although it is possible to categorize transnational crimes, finding a way to stop them requires a holistic approach due to the interrelated nature of the methods by which they are carried out. Thus, in 1999, the Philippines established the Philippine Center on Transnational Crime (PCTC) to formulate and implement a concerted program of action of all law enforcement, intelligence and other government agencies for the prevention and control of transnational crimes such as Illicit trafficking of narcotic drugs and psychotropic substances; piracy; arms smuggling; terrorism; money laundering; trafficking in persons; and other crimes that have an impact on the stability and security of the country.

To further enhance national and regional security, the Philippines initiated the conclusion of the Agreement on Information Exchange of Communication Procedures with Indonesia and Malaysia on 7 May 2002. This Agreement, which was acceded to by Cambodia and Thailand in 2002, and by Brunei in 2003, established a framework for deeper security cooperation among states to facilitate cooperation and interoperability of their procedures or arrangements for addressing border and security incidents, including terrorist activities and other transnational crimes, occurring within their territories.

At the bilateral level, relations with China was also enhanced with the conduct of the first Defense and Security talks between the Philippines and China in May 2005 when representatives from the Defense Departments of both countries exchanged views on bilateral military exchanges and international and regional issues of common interest. It was during this meeting that the Philippines secured military aid from China in the form of engineering equipment worth US \$1.2 million, while agreeing to hold regular defense security consultations with the latter – moves which the Philippines believes would greatly increase military exchanges and mutual trust between the two countries' armed forces. Moreover, the entry into force of the Philippines-China Extradition Treaty on 12 March 2006

is a welcome development in their bilateral relations and in their mutual efforts to address the challenges of an increasingly interdependent region.

At the multilateral level, ASEAN started to address the issue of transnational crimes in 1976 when it signed the Declaration of Principles to Combat the Abuse of Narcotics Drugs. Since then, ASEAN has broadened the scope to include other transnational crimes such as terrorism and cyber crime. In 2002, ASEAN adopted a Work Programme to Implement the ASEAN Plan of Action to Combat Transnational Crimes.

1. Terrorism

Terrorism is not a new phenomenon in the Philippines, and in fact the Philippine government has been waging a war against it even before the 9/11 attacks in the US. The terrorist threat in the Philippines, which is principally posed by the Abu Sayyaf Group (ASG), the Communist Terrorist Movement (e.g. CPP/NPA/NDF), the Jemaah Islamiyah (JI) and al Qaeda, is very real and imminent. The porous borders of the Philippines, the mass transportation system on land, air and sea, crowded shopping malls and numerous populated centers make the country highly vulnerable to terrorist attacks.

In addition, the Philippines is concerned with the existence of third generation terrorist groups (or break away groups) in some parts of the country. These groups not only destabilize and undermine government efforts toward peace and development, but also encourage local insurgents and other left leaning organizations to employ extreme measures as means to attain their goals and ideologies.

As a matter of national policy, the Philippine government considers terrorism as a criminal act and adopts a no-compromise policy with terrorists. The country is aware that winning the war on terror requires closer cooperation between and among stakeholders to ensure the effectiveness of any initiative. In these efforts, the country recognizes that basic principles such as human rights, the rule of law, and the right to due process, as well as sovereignty and territorial integrity must not be compromised.

The Philippine Government acknowledges that for it to effectively address this scourge, a comprehensive approach that would involve military, economic, legal and diplomatic means, among others, is necessary. Thus, the Philippines created in January 2004, through Executive Order No. 265, the Office of the Special Envoy on Transnational Crime (OSETC) as an oversight body to provide the critical link between and among local, national, regional and international agencies and organizations in forging agreements, concretizing cooperation and

harmonizing action. In March 2004, the high-level Inter-Agency Anti-Terrorism Task Force (ATTF) was also established to harmonize the country's anti-terrorism efforts. The ATTF, a 45-member agencies group, provides 24-hour predictable, actionable, and real-time intelligence to the ATTF operating units. Thus far, it has neutralized 263 terrorists in the period of March 2004 to June 2006.

The Philippines' move to harmonize and streamline its various identification systems and adopt a multi-purpose ID system through the issuance of Executive Order 420 on 13 April 2005, may likewise assist the country in boosting its campaign against terrorism.

Like other transnational threats, terrorism needs to be fought with the cooperation of regional allies. As such, the Philippines supports bilateral, multilateral, regional, inter-regional and global initiatives to counter terrorism in all fronts.

The Philippines, as non-permanent member of the UN Security Council from 2004-2005, chaired 1566 UNSC Working Group. This Working Group was established by UNSC resolution 1566. It was tasked to consider and submit recommendations and practical measures to be imposed upon individuals, groups or entities involved or associated with terrorist activities. The Philippines was also vice-chair of the 1540 Committee on Measures to Prevent the Proliferation of Weapons of Mass Destruction to non-State Actors

In the UNSC Summit that President Gloria Macapagal-Arroyo chaired on 14 September 2005, UNSC Resolution 1624 on incitement against terrorism was unanimously passed.

The Philippines is also a signatory to the Busan Declaration issued during the 2005 APEC Ministerial Conference, which called for member countries to initiate acts that would reduce airport vulnerability to Man-Portable Air Defense Systems (MANPADS) and expand the Regional Movement Alert List pilot project to track suspected criminals. The Philippines has also shown its commitment to the fight against terrorism with the signing and ratification of all 12 international conventions and protocols on terrorism. It also signed and is in the process of ratifying the latest global convention on suppressing nuclear terrorism.

At the bilateral level, the Philippines has entered into agreements with a number of countries, including Australia and the US, to address the issue of terrorism in the region. Areas of cooperation with the US include, among others, US military training and operational support for Philippine authorities against the Abu Sayyaf

Group, security assistance in the form of training of the anti-terrorism Light Reaction Companies, joint exercises on RP-US Counter-Terrorism,. The Philippines' central defense cooperation with the U.S. is the Philippine Defense Reform Program (PDRP), a Philippine-led, U.S.-assisted, ten-year program aimed at addressing short-term operational requirements and long-term reforms in the Armed Forces of the Philippines (AFP). Australia, likewise, provides the Philippines US\$3.7-million (A\$5 million) security package at both strategic and operational levels. This three-year security package is designed to enhance the capacity of Philippine law enforcement agencies in the fields of intelligence-sharing, bomb investigation techniques, forensic capacity and other counter-terrorism areas. The Australian Government recently doubled this assistance package to A\$10 million. This assistance package provides practical assistance in policing, immigration, port security and cooperation to address regional counter-terrorism issues. The Philippines will also benefit from the A\$40.3 million Regional Counter-Terrorism Package announced in the 2005-06 Australian Budget. In August 2005, Australia and the Philippines agreed to establish inter-agency counter-terrorism consultations at the senior officials level to further enhance security cooperation. They also forged an agreement in-principle to enter into a bilateral Arrangement on the Deployment of Air Security Officers/Air Marshals and looked forward to early conclusion of a Memorandum of Understanding on Immigration and Border Control.

The Philippines believes that terror acts, which take root from various socio-economic factors, may be prevented if livelihood and reintegration programs are put in place. One way to sustain such programs is through strengthened bilateral relations with other countries, especially in Mindanao. To support this program of securing and developing Mindanao, and eventually finding peace in the area, the US aid on Economic and Support Funds (ESF) has also partitioned 60% of the \$20 million for FY 2006 to be allocated into programs in Mindanao that maximize the economic benefits of the Peace Agreement with the MNLF and support outreach to other Muslim separatist groups. In addition, Australia granted A\$17.2 million to the GOP-UN Multi-Donor Program for the Mindanao Peace and Development Process - the largest donation to the program. Thus far, the estimated total aid flows from Australia to the Philippines for 2005-2006 is A\$63.7 million, placing the Philippines among the five largest development partners of Australia. The Philippines also undertakes inter-faith initiatives to encourage mutual tolerance and better understanding in a multi-faith populace as well as facilitate a culture of peace and dialogue among peoples.

2. Transnational Organized Crimes

2.1. Trafficking in Narcotics and Precursor Drugs

The Philippines is gaining success in the fight against trafficking and manufacture of narcotics and precursor drugs, with the continuous apprehension of narcotics

and precursor drug traffickers in the Philippines. With the cooperation of the local communities, authorities from the Philippine Drug Enforcement Agency (PDEA) have been continuously apprehending traffickers, most of them foreign nationals who are operating in the country. To enhance its anti-drug campaign, the Philippines passed the Comprehensive Dangerous Drugs Act of 2002, which mandates drug abuse education in schools, the establishment of provincial drug education centers, drug-free workplace programs, and other demand-reduction programs.

International cooperation is a key factor in the continuing success of the country in addressing this problem. The Philippines is a party to several UN conventions on drugs and other illegal substances. It is cooperating with Japan, the US, Australia, and China, among others, in terms of information exchange, mutual legal assistance, and capacity building. The efforts will greatly assist the Philippines as it aggressively pursues its fight for a drug-free Philippines.

2.2 Trafficking of Persons

The Philippines believes that human trafficking, especially of women and children, is a serious offense against persons. Human trafficking – the elements of which consist of recruitment, transport, transfer or harboring or receipt of persons with or without their consent for the purpose of exploiting them – is punishable by life imprisonment in the Philippines, as mandated by the country's Anti-Trafficking in Persons Act of 2003. At the international level, the Philippines is a state party to a number of instruments that protect migrant workers, women and children. The Philippines has also concluded mutual and legal assistance and extradition treaties with some countries to address the issue of human trafficking. It is also a state party to the ASEAN Treaty on Mutual Legal Assistance in Criminal Matters signed in Kuala Lumpur on 29 November 2004.

2.3 Trafficking in Weapons/ Proliferation of Weapons of Mass Destruction

The Philippines is concerned over the illegal trade in small arms and light weapons (SALW) that aggravates internal conflicts and increases incidences of other related transnational crimes, undermining government efforts to eliminate or resolve them. It likewise poses a challenge to the government's development agenda.

To curb weapons trafficking, the Philippines has been introducing a number of domestic laws. It has likewise supported international efforts such as negotiations regarding marking, tracing and brokering of weapons. At the bilateral level, cooperation with Japan and other countries in addressing SALW-related concerns are also under discussion.

On weapons of mass destruction (WMD), the Philippines advocates a genuine disarmament agenda knowing full well the implications of a global arms build-up and weapons proliferation. Consistent with this view, the Philippines commits itself to the global movement on non-proliferation and has ratified the Comprehensive Nuclear Test Ban Treaty, the Treaty on Southeast Asia Nuclear Weapons Free Zone, the Non-Proliferation Treaty (NPT), the Chemical Weapons Convention; Inhumane Weapons Convention; and the Biological and Toxic Weapons Convention among others. Incidentally, the Philippines was also elected as vice president of the Review Conference of the Non-Proliferation Treaty (NPT) during its two-year membership in the UNSC. The Philippines' support of the U.S.-led Proliferation Security Initiative (PSI) reflects the country's willingness to cooperate in preventing the proliferation of WMD, their means of delivery, and related materials. In the implementation of the Statement of Interdiction Principles (SOP) and the relevant UN Resolutions, the Philippines reserves the right to guarantee that the rights and welfare of Filipino nationals shall be respected on board vehicles, vessels and aircraft.

The Bureau of Customs and the Philippine National Police (PNP) have been working closely together in monitoring WMD element flows into and out of the country. The country receives technical assistance from the Japanese and Australian governments on export control of security-sensitive items.

Moreover, the Philippines is concerned over the proliferation of ballistic missiles. As such, it welcomes the adoption, though voluntary and non-binding, of the Hague Code of Conduct Against Ballistic Missile Proliferation (HCOG) in November 2002 as a positive step towards attaining global peace and security. The Philippines ended its two year stint as chair the regular meetings of the HCOG subscribing parties in June 2006.

2.4 Money Laundering

The Philippines has enacted two laws to fight money laundering – Republic Act (R.A.) No. 9160, the Anti-Money Laundering Act of 2001, and Republic Act No. 9194, an Act Amending R.A. 9160 (2003), which mandated the creation of the Anti-Money Laundering Council (AMLC). In support of the Anti-Money Laundering Law, President Gloria Macapagal-Arroyo created an Anti-Illegal Recruiters Task Force in July 2004.

To show its commitment to fight money laundering and related activities, special teams of prosecutors and anti-money laundering desks have also been created nationwide. As of the first quarter of 2006, the AMLC has handled 92 money laundering and money laundering related; and has likewise received 138

international requests for mutual assistance in pursuing money laundering and related cases. To further address this concern and in compliance with RA 9160, the Philippines' central bank in January 2005 issued rules and regulations to govern the (registration and) operation of foreign exchange/ money changers and remittance agents in a move to monitor the flow of foreign currencies in the country.

The Philippines' removal from the Paris-based Financial Action Task Force's (FATF) list of the remaining six (6) Non-Cooperative Countries and Territories (NCCT) on 11 February 2005 is a recognition of the Philippines' gains in its efforts to fight money laundering.

2.5 *Piracy and other Maritime Security Threats*

Being one of the largest archipelagoes in the world, with long and porous coastlines stretching to about 17,500 km, the Philippines recognizes that maritime security is one of the key factors towards attaining national security. The Philippines recognizes the important role of the military in protecting and securing the Philippine territory, including its waters.

The Philippines is therefore concerned over the increasing number of piracy incidents at sea and the threats they pose to the safety of seafarers and to freedom of navigation. Aside from threatening the lives of seafarers and endangering the ships and their cargoes, maritime piracy also poses a challenge to the ability of trading states, especially those with limited resources, to upgrade their port security facilities.

The Philippines also recognizes the threat posed to its economy by commercial goods smuggling. In 2003, a report by the United Nations Conference on Trade and Development or UNCTAD showed that, based on the records of the country's trading partners, imports to the Philippines totaled \$45.4 billion. The Philippine government's records, however, reported imports of only \$34.5 billion. The discrepancy of \$10 billion could most likely be accounted for by smuggled goods. This translates into an P86-billion tax revenue loss for the government, given an average duty rate of 6.19 percent in 2003 according to the Tariff Commission, 10 percent value-added tax, and an exchange rate of P54.20 to the dollar for that year.

Several Philippine government agencies concerned with maritime security work together and liaise with regional and international organizations to enforce laws concerning crimes in the high seas. Bilateral capacity-building efforts have also been undertaken with neighboring countries to address the issue of piracy and

smuggling. In addition, border patrol and border crossing agreements with Indonesia and Malaysia already exist.

In September 2004, the Philippines' international seaports were certified compliant to the port facility requirements of the International Ship and Port Facility Security (ISPS) Code and the United States Coast Guard. This means that the Philippines' seaports are adequately equipped to fend off terrorists and other criminal elements.

At present, the Philippines is drafting the National Action Plan (NAP) to Combat Piracy and Armed Robbery Against Ships. The NAP shall incorporate the commitment of the Philippines in the Regional Cooperation Agreement on Anti-Piracy in Asia, the ISPS Code and the International Maritime Dangerous Goods Code. Moreover, the Philippines is an active participant in the standard-setting work of the International Maritime Organization (IMO).

3. Pandemics

The Philippines recognizes that the rapid spread of communicable and infectious diseases such as AIDS/HIV, SARS, and the avian flu, has been aggravated by factors such as faster modes of transportation, population crowding especially in urban areas, and environmental occurrences brought about by natural disasters, poor sanitation and other factors of globalization. In October 2005, the First Senior Officials Meeting (SOM) on International Partnership on Avian Pandemic Influenza (IPAPI) was convened by the U.S. Government in Washington DC, pursuant to President Bush's announcement on the avian pandemic at the UN General Assembly on 14 September 2005. The Philippines' Department of Agriculture (DA) and Department of Health (DOH) strongly supported the Partnership. The Philippines is also aware that new medical practices contribute to the growing resilience and complexity of new strains of diseases that are being discovered. These factors also contribute to the difficulty in addressing them. Of great concern to the Philippines is the possibility that lawless individuals and groups might manipulate germs, bacteria or strains of new diseases to become resistant to antidotes and then cause spread to humans, or worse, use these mutated forms to launch bio-terrorism.

Such concerns must be effectively addressed at all levels and at all fora. Failure to address these threats on the part of the governments may undermine their legitimacy and even their economic foundations and security and will seriously undermine efforts at development.

4. Scarcity of Energy and Natural Resources

As the world's population increases and economic activity intensifies, there will be increased demand for natural resources, particularly oil, natural gas, water, wood, minerals. Nation states are likely to increasingly equate resource security with national security.

The dependence of the Philippines on imported oil and oil resources poses a challenge to the country's economy and industry. As such, the Philippine Government has committed itself to develop a sustainable, stable, secure, sufficient, accessible and reasonably priced energy to its people. Specifically, the Philippines seeks to develop its indigenous energy resources – both renewable and non-renewable – and alternative energy sources (with key partners and stakeholders), among others, as priority goals for its energy sector development.

At present, oil production is being undertaken in several oilrigs in the country. Development and pilot projects of liquefied petroleum gas, compressed natural gas and cocomethyl ester as alternative transport fuel have already been launched. Similarly, fossil fuel exploration and development activities in various parts of the country, including the South China Sea, are being aggressively pursued. With these efforts, the Philippines' goal achieving energy independence in the medium term is not farfetched.

5. Environmental Concerns and Biological Hazards

Likewise, environmental issues such as air pollution, ozone depletion, global warming, and the threats posed by the transportation of hazardous and/or nuclear weapons must be addressed at both the national and regional levels to fully minimize their effects within and outside national borders of the state where the hazard originates.

Another matter of concern to the Philippines is the introduction of genetically modified organism (GMO) into the global market as their long-term effect on the environment as well as the individual have yet to be fully and scientifically established. In 1995, the Philippines issued Executive Order 247 (EO 247) which created the Inter-agency Committee on Biological and Genetic Resources (IACBGR). The IACBGR was tasked to regulate and process applications for research, collection and utilization of biological and genetic resources and to ensure that the provisions of the EO are enforced and implemented.

In 1990, the Philippines also issued EO 430, "Constituting the National Biosafety Committee of the Philippines (NCBP) and For Other Purposes." This EO mandates the NCBP to identify potential hazards involved in initiating genetic engineering experiments or the introduction of GMOs and recommendation of measures to minimize risks; and formulate, review and amend national policies on biosafety and guidelines on risk assessment, among others.

The Philippine Government, through the DOH and the Department of Foreign Affairs (DFA), is coordinating with the U.S. Department of State and the U.S.-based Sandia National Laboratories to implement a "National Training Seminar on Laboratory Biosecurity and Laboratory Biosafety" to be held in July 2006. The workshop could assist the Philippines in developing suitable national guidelines and regulations for laboratory biosafety and biosecurity. Enhanced laboratory biosafety and biosecurity in the Philippines would strengthen efforts to combat bioterrorism and to prepare for an avian influenza pandemic.

**ASEAN REGIONAL FORUM
ANNUAL SECURITY OUTLOOK 2006
REPUBLIC OF KOREA**

Global Security Environment

Overview

Since the end of the Cold War, the international security climate has undergone a sea change. The most noteworthy feature is the relative stability the international community enjoys, with the spectre of military conflict between states much reduced. The current international system can be defined as uni-polar with the U.S. as the sole superpower. The U.S and other major powers are continuing to interact with each other through forms of cooperation and, at times, competition. Under this international structure, such interaction takes the form of selective cooperation and strategic checks among major powers.

With the advance of globalization and the market economy, an ever deepening interdependence among nations is evident. The spread of universal values, such as democracy and human rights, has also played an important role in bringing further stability in international relations by providing a more solid basis for confidence-building and cooperation.

However, there have also been negative trends. Whereas conflicts between states are now less likely, non-traditional security threats have emerged as new challenges.

Non-Traditional Security Threats

Recently, the proliferation of non-traditional security threats such as terrorism, WMD, transnational crimes and pandemic diseases have emerged as major destabilizing factors, threatening the peace and stability of the world.

The international cooperation on anti-terrorism led by the US has so far yielded some concrete achievements. However, continued instability in the Middle East and a series of terrorist incidents remind us that we cannot be complacent about the threat presented by international terrorism.

Tensions surrounding the Iran and North Korean nuclear programs are still posing a serious challenge to the international non-proliferation regime.

In addition, the recent increased flows of people and goods between nations and regions has led to a greater risk of the worldwide spread of epidemic

diseases. Since early 2003 we have seen outbreaks of contagious diseases, such as SARS and Avian Influenza (AI). Given the formidable danger posed by these diseases, it is an urgent task for the international community to establish emergency response measures to prevent catastrophic human casualties.

Along with the spread of pandemic diseases, natural disasters are also posing grave threats to human security. The tsunami in South Asia in December 2004, Hurricane Katrina in August 2005, and the devastating earthquakes in Pakistan in October 2005 and in Indonesia in May 2006 inflicted enormous loss of life and damage to property on the people in the region.

Advance of Globalization

The advance of globalization has served as the very dynamic of the global economy and fueled economic growth in the world. This has created a favorable environment for cooperation and interdependence among regional countries.

However, globalization also has a dark side. It has widened the economic gap among nations and peoples. Those who have not been able to enjoy the benefits of globalization have been marginalized, and as a result, become more destitute. In some corners of the world, this trend has been exploited by terrorists to bolster their cause and propagate their ideology of hatred.

Regional Security Situation

Overall Situation in Northeast Asia

The major power relations in the region remain relatively stable, despite occasional ups and downs in bilateral relations. With the advance of globalization and the spread of the market economy, the countries in the region are experiencing a deepening interdependence. As people-to-people and cultural exchanges thrive, the scope of cooperation and mutual understanding is ever widening.

However, from a long-term perspective, Northeast Asia is now in a time of transition, and the overall situation is still complex and fluid. The relations between major powers in the region are undergoing a time of readjustment and reconfiguration. This is evident in the reinforcement of bilateral ties between traditional allies and the expansion of new strategic relationships between regional powers for the sake of mutual checks and balances.

Furthermore, there are a number of factors that are now undermining, or could potentially destabilize, the security of the region, such as the North Korean nuclear issue, the Cross Straits issue, grievances stemming from past history and territorial disputes in the region.

North Korean Nuclear Issue

The greatest security challenge to Northeast Asia is the North Korean nuclear issue. The ROK has been making every effort to peacefully resolve the issue through the Six-Party Talks.

The Joint Statement, adopted at the fourth round held last September, laid out the groundwork for a resolution of the North Korean nuclear issue. It set out the objectives and principles for the Talks, specified the abandonment of nuclear weapons and programs by North Korea, and expressed the collective political will to clear away the vestiges of the Cold War structure on the Korean Peninsula and in Northeast Asia. And at the follow-up meeting held in November 2005, the participating countries renewed their commitment to the denuclearization of the Korean Peninsula.

However, the Talks have stalled since the abovementioned meeting last November. The key bone of contention is the financial measures taken by the US on the Banco Delta Asia (BDA) in Macao. Given the urgency of the North Korean nuclear issue, the ROK is of the view that the Talks should be resumed as soon as possible, and that all outstanding matters, including the BDA issue, must be discussed and dealt with in the process of the Six-Party Talks.

Inter-Korean Relations

After more than a year of interlude, inter-Korean dialogue has been fully back on track since June 2005. Suspended dialogue, programs and projects have been resumed and new initiatives have been undertaken. These include reunions of separated families, the exchange of information on the whereabouts of people who went missing during the Korean War, the construction of the Gaesong Industrial Complex, the Mt. Geumgang Tourism Project and the connection of the inter-Korean railroads.

In the military field, steps have been taken for the easing of tensions. For example, General-level Talks have been held, hotlines have been set up between the naval authorities of the two sides, and activities constituting propaganda or slander have been ceased in the Demilitarized Zone (DMZ).

The ROK government has been steadily expanding inter-Korean exchanges and cooperation under the framework of the 'policy of peace and prosperity'. The ROK has a firm belief that the expansion of inter-Korean exchanges and cooperation is conducive to finding a solution to security concerns, including the North Korean nuclear issue, and will contribute to peace and stability in the Asia-Pacific as a whole.

Promotion of Multilateral Cooperation in the Asia-Pacific Region

Efforts are being made to promote multilateral cooperation within the framework of regional mechanisms such as ASEAN+3, APEC and the EAS.

The ROK, China, Japan and ASEAN have been taking mutual cooperation further forward within the ASEAN+3 framework. And there has been an increasing number of FTA negotiations. The China-ASEAN FTA has now come into effect and the negotiations on the Korea-ASEAN FTA are expected to be concluded in the near future. Japan is currently in the process of conducting negotiations on an FTA with ASEAN.

In addition, the 13th APEC Economic Leaders' Meeting was held in Busan, ROK in November 2005 with representatives from twenty-one member economies in attendance. The Leaders adopted the 'Busan Declaration' affirming their vision and political will to realize a safer and more prosperous Asia-Pacific region. And last December, the first East Asia Summit (EAS) was held in Malaysia, in which the participating countries discussed their vision for the creation of an East Asian community.

Efforts to Build Multilateral Security Cooperation in Northeast Asia

Given the economic and strategic weight of Northeast Asia in the world and the current fluidity of the situation in the region, there is an urgent need to establish a stable security order in the region through bilateral and multilateral security cooperation.

In this regard, the ROK believes the Six-Party Talks hold great importance for the formation of a mechanism for multilateral security cooperation in Northeast Asia. The countries participating in the Talks have already, in the Joint Statement, agreed to explore ways to promote security cooperation in the region. Therefore, the ROK expects significant momentum will be generated for multilateral security cooperation in the region once a breakthrough is reached in the North Korean nuclear issue.

In the meantime, other arrangements for multilateral security cooperation such as the ARF, NEACD and CSCAP are evolving. The ARF, the only inter-governmental forum for multilateral security consultations in the Asia-Pacific region, has greatly contributed to deepening trust and understanding among participants. The NEACD and CSCAP are also playing an important role, as Track 1.5 or Track 2 mechanisms, in nurturing the habit of security dialogue between the countries in the region.

The ROK government is promoting multilateral security cooperation in Northeast Asia as one of the priorities in its foreign and security policy. We will continue to make efforts to create a stable and permanent regional order in Northeast Asia in close cooperation with countries in the region.



**The First Plenary Meeting of the ARF Experts/Eminent Persons
29-30 June 2006, Jeju Island, Republic of Korea**



Keynote Address Delivered by H.E. Dato' Seri Syed Hamid Albar, Chairman of the 13th ARF and Minister of Foreign Affairs of Malaysia at the First Plenary Meeting of the ARF Experts/Eminent Persons, 29-30 June 2006, Jeju Island, Republik of Korea

**ASEAN REGIONAL FORUM
ANNUAL SECURITY OUTLOOK 2006
SINGAPORE**

Section I: Singapore's Outlook for Regional Security

- i. The overall regional security outlook for the Asia-Pacific remains largely positive even though many uncertainties remain. With growing economic cooperation and moves towards integrated markets in Asia, a framework for regional cooperation seems to be emerging. However, major challenges like terrorism, maritime security, the cross-strait issue and tensions over the Korean Peninsula will still need to be tackled.
- ii. A more stable triangular relationship between the US, China and Japan will help lay the foundation for stability and economic cooperation in the region. Notwithstanding the occasional spats among them, China, Japan and the US will continue to remain economically engaged with the region, and the performance of their economies will have an important bearing on the region's prosperity and stability.
- iii. In Northeast Asia, the situation on the Korean Peninsula continues to be a potential source of instability. The six-party talks have failed to bring about any breakthrough so far. Recent missile tests by Pyongyang have heightened tensions and increased the risks of miscalculation by the concerned parties that could set back regional peace and security. As the denuclearisation of the Korean Peninsula is a shared regional interest, the concerned parties should return to the negotiating table soon to resolve this problem through diplomatic means.
- iv. Although the presence of troops from Australia, New Zealand, Malaysia and Portugal since May 2006 has helped to restore some degree of law and order in Timor-Leste, many challenges need to be tackled before long-term peace and stability can materialise. While the responsibility for nation-building must ultimately be shouldered by the Timorese people themselves, the international community must remain engaged in Timor-Leste and provide much-needed support and assistance to ensure the country's stability and viability.
- v. In the South China Sea, while competing claims remain unresolved, there have been positive attempts to manage the situation with the adoption of the Declaration on the Conduct of Parties in the South China Sea at the 8th ASEAN Summit in 2002. At the ASEAN-China SOM on the Implementation of the Declaration on the Conduct of Parties in the South China Sea (DoC) on 7 December 2004, ASEAN and China agreed to set up an ASEAN-China

Joint Working Group on the Implementation of the DoC. So far two Joint Working Group Meetings have been held to discuss the guidelines and modalities on the Implementation of the DOC.

- vi. At the 11th ASEAN Summit in Kuala Lumpur, Leaders signed a Declaration on the Establishment of the ASEAN Charter, which is to be a landmark document embodying principles, goals, objectives and structures of ASEAN cooperation to meet the needs of the ASEAN Community. An Eminent Persons Group (EPG) comprising well respected citizens from the ASEAN Member countries was established to provide recommendations on the directions for ASEAN and the nature of the Charter.
- vii. The 11th ASEAN Summit also forged closer external links with its key dialogue partners. A key milestone was the convening of the first East Asia Summit (EAS) on 14th December 2005 as an open and inclusive forum for dialogue on strategic, political and economic issues of common interest and to promote community building in this region. The EAS Member Countries consist of the ASEAN Member Countries, Australia, China, India, Japan, ROK and New Zealand.
- viii. The inaugural ASEAN Defence Ministers' Meeting (ADMM) was convened in Kuala Lumpur on 9 May 2006. The ADMM is a significant milestone in ASEAN's history and provides the ASEAN countries with a much-needed platform for open and constructive dialogue on strategic issues and defence cooperation. At the inaugural meeting, the ASEAN Defence Ministers adopted a Concept Paper that outlined the key principles and modalities of the ADMM, for example that the ADMM should be open, flexible and outward-looking in respect of actively engaging ASEAN's friends and dialogue partners as well as the ARF. The Defence Ministers affirmed that the ADMM would form an integral part of ASEAN and therefore agreed that the meeting would report directly to the ASEAN Leaders. Singapore will host the second ADMM in late 2007.
- ix. The ARF remains the region's most important multilateral forum for regional security issues. In recent years, the ARF has helped significantly to build up levels of confidence and trust, and to develop cooperative norms of behaviour amongst member states. The ARF has also made positive initial steps towards its next stage of development, which is Preventive Diplomacy (PD). It has also been a forum for fruitful discussions on transnational challenges such as terrorism, and members have discussed practical ways in which they can cooperate to address these challenges.

Section II: Review of Regional Co-operation

- i. Security co-operation in the Asia-Pacific continues to progress well. Bilateral co-operation has been growing both in depth and scope, with substantial bilateral defence co-operation between countries, involving exchange visits, cross attendance of courses, joint training and exercises and security dialogues. In terms of the institutionalisation of multilateral co-operation, mechanisms for region-wide security dialogue, such as the ARF and the Council for Security Co-operation in the Asia Pacific (CSCAP), are now well established. Combating terrorism has also served as a galvanizing factor providing further impetus to regional co-operation.
- ii. In fact, ASEAN has taken several concrete measures to address the threat of terrorism. The ASEAN Leaders Declaration on Terrorism at the 8th Summit in 2002 built upon the *ASEAN Declaration on Joint Action to Counter Terrorism* released by ASEAN Leaders at the 7th Summit in November 2001. A Special ASEAN Ministerial Meeting on Transnational Crime or AMMTC on Terrorism was held in Kuala Lumpur in May 2002 as a concrete follow-up to address terrorism. The meeting produced a workplan for the *ASEAN Plan of Action to Combat Transnational Crime (Terrorism Component)*. Singapore offered logistical support for counter-terrorism training on aviation security, bomb/explosives detection, post-blast investigation and intelligence analysis. At the 4th AMMTC Meeting in January 2004, ASEAN further declared its commitment to undertake a comprehensive and coordinated approach in addressing transnational crimes that have links to terrorism and to accelerate the implementation of the Terrorism Workplan.
- iii. At a broader level, ASEAN is also working closely with major players to advance practical areas of cooperation. ASEAN has adopted Joint Declarations on Cooperation to Combat International Terrorism with the US (July 2002), the EU (January 2003), India (October 2003), Australia (July 2004), Russia (July 2004), Japan (November 2004), ROK (July 2005), New Zealand (July 2005) and Pakistan (July 2005) respectively, and will be forging a similar agreement with Canada.
- iv. Within the ARF, many confidence-building measures (CBMs) have been implemented and many more are in the process of implementation. The ARF has achieved good progress in practical cooperation through a series of counter-terrorism workshops. The US and Malaysia co-chaired the first ISM on Counter-Terrorism and Transnational Crime (ISM CTTC) on Border Security on 21-22 March 2003. The Philippines and Russia co-chaired the second ISM CTTC on Transport Security on 29-30 March 2004. Thailand and Canada co-chaired the 3rd ISM CTTC on Information/Intelligence Sharing and Document Integrity and Security on 6-8 April 2005. Brunei and China co-chaired the 4th ISM CTTC on 26-28 April 2006. Singapore and Japan will co-chair the 5th ISM CTTC in early 2007.

- v. Singapore continues to play a constructive role to enhance practical cooperation in counter-terrorism within the ASEAN and ARF contexts. Singapore and Australia co-hosted a Workshop on *Managing the Consequences of a Major Terrorist Attack* on 3-5 June 2003. One of the concrete initiatives arising from the Workshop is a *Register of Chemical, Biological, Radiological and Nuclear (CBRN) Terrorism*, which Singapore has compiled. Singapore also co-hosted with Canada an ARF Export Licensing Experts Meeting on 17-18 November 2005, which produced a list of *Best Practices in Export Control Licensing*. Singapore, China and the US co-hosted an ARF Seminar on the Non-Proliferation of WMD on 27-29 March 2006.
- vi. These activities are in line with Singapore's belief that counter-terrorism cooperation among ASEAN and ARF member countries should concentrate on meaningful practical cooperation and timely exchanges of information. Significant strides have also been made over the last two years in developing regional cooperation in maritime security. Specifically, a consensus has emerged around the following three principles: first, that the primary responsibility for the security of regional waterways lies with the littoral states; second, that the international community, including the user states and bodies like the IMO have an important role to play; and third, that new cooperative measures should be developed in line with international law and with full respect for national sovereignty. Because of this consensus, we were able to move quickly from principles to cooperative action on the ground. In July 2004, the navies of Indonesia, Malaysia and Singapore launched the Malacca Straits Sea Patrols. This was followed in September 2005 by the "Eyes in the Sky" maritime air patrols. The Standard Operating Procedures governing the Malacca Straits Sea Patrols and the "Eyes in the Sky" maritime air patrols were signed on 21 April 2006 in Batam by the Chiefs of Defence Force of the three countries. This sealed the cooperative arrangements and demonstrated the political will of the littoral states in enhancing the security of the Malacca Straits.
- vii. Maritime security has also featured prominently in operational groupings like the Five Power Defence Arrangements (FPDA) and the Western Pacific Naval Symposium (WPNS). Non-traditional security threats, like maritime terrorism, have been incorporated into the activities of the FPDA since 2004. The WPNS has also initiated a series of maritime security focussed exercises and exchanges. In May 2005, the RSN hosted a Multilateral Tactical Training Centre Exercise, an inaugural WPNS Multilateral Sea Exercise and the first Maritime Security Information Exchange Seminar – bringing together 19 WPNS navies and 15 warships. The RSN will be hosting a second WPNS Maritime Security Information Exchange Seminar in Singapore from 2-4 August 2006.
- viii. The ARF has placed significant emphasis on the subject of maritime security since the adoption of the 2003 ARF Statement on Cooperation Against Anti-Piracy and Other Threats to Maritime Security. Recent ARF activities have included the Workshop on Maritime Security co-hosted by Indonesia, Malaysia and the United States in Kuala Lumpur in September 2004, and the Singapore-

United States CBM on Regional Cooperation on Maritime Cooperation held in Singapore in March 2005. India hosted a Workshop on Training for in Maritime Security in October 2005 whilst Japan hosted a Workshop on Capacity Building of Maritime Security in December 2005. All these activities help to move the ARF's maritime security agenda forward in important ways.

- ix. The earthquake that hit Central Java on 27 May 2006 has reinforced the importance of regional operational agencies working closely together in the event of a regional emergency. The revival of the ARF Intersessional Meeting on Disaster Relief (ISM-DR) is a positive step towards providing ARF member countries with a valuable platform to promote a common understanding and approach on managing multiple and complex issues through cooperative activities such as regular exchanges, joint training and joint exercises. It is important that the region develops a holistic approach towards disaster management – including disaster prevention and reduction, disaster rescue, rehabilitation and reconstruction.
- x. Since the endorsement of the Concept Paper for an ARF Defence Dialogue by the 9th ARF in July 2002, the ARF Defence Dialogue has become an integral part of the ARF process. The involvement of defence officials in the ARF has enriched the ARF process and contributed to the confidence building process of the ARF. It has also allowed the defence establishments of ARF countries to meet and discuss issues of common interest and concern. This has promoted greater transparency amongst regional defence establishments.
- xi. The Fifth Shangri-La Dialogue was held in Singapore from 2-4 June 2006. Organised independently by the London-based International Institute for Strategic Studies (IISS), this year's Dialogue brought together 17 Defence Ministers or their representatives as well as other senior defence officials for discussions on the regional security environment and regional security architecture as well as topical issues such as counter-terrorism and maritime security. One of the key outcomes from this year's Dialogue was a consensus amongst the Defence Ministers on the importance of the regional defence community moving from dialogue to practical cooperation in areas such as maritime security, peace support operations and disaster relief. Over the past five years, the Shangri-La Dialogue has grown into an important pillar of the region's security architecture. The Dialogue provides a valuable opportunity for Defence Ministers of the Asia-Pacific region to come together to discuss issues of common concern. The two Ministerial Luncheons that the Singapore Defence Minister hosts for his counterparts provide a further platform for regional ministers to exchange views, this time away from the glare of the non-official participants and the media. These lunches are the only existing forum for Defence Ministers of the Asia-Pacific countries to come together for a dialogue. Singapore has hosted the Shangri-La Dialogue since its inauguration in 2001.

Section III: Singapore's Approach and Contributions to Regional Security

- i. As a small country, Singapore's peace and prosperity are inextricably linked to the region's peace and stability. We are conscious that both our security and economic well being will become even more susceptible to any instability in our external environment when we become more integrated with the global economy in the 21st century. Hence, one of the key thrusts of Singapore's defence strategy is to work with friendly countries to promote dialogue, confidence-building and co-operation both on a bilateral and multilateral basis, in order to maintain a peaceful and stable regional environment.
- ii. Singapore believes that regional security and stability is best served by having a security architecture that comprises strong bilateral relationships and multilateral arrangements. Singapore enjoys close ties with many countries in the Asia-Pacific and will continue to strengthen and deepen these bilateral ties. On the multilateral level, Singapore will do its best to contribute to regional defence and security co-operation. We will seek to strengthen existing multilateral arrangements such as the Five Power Defence Arrangements (FPDA), the Western Pacific Naval Symposium and the ARF, as well as to foster and support new arrangements to enhance regional peace and stability.
- iii. Singapore believes that there is significant potential to further develop multilateral defence co-operation in dealing with transnational challenges in areas such as maritime security, humanitarian assistance and disaster relief (HADR) and counter-terrorism. Such co-operation and dialogue among regional defence establishments will also enhance trust and confidence among regional armed forces.
- iv. Building on the positive momentum of the Singapore-US CBM on Regional Cooperation in Maritime Security held in March 2005 and recognising the need to move the ARF forward by forging cooperation in an area in which we all have a common interest, Singapore has tabled a Concept Paper proposing an ARF Maritime Security Shore Exercise for the consideration of the ARF. Such an exercise would be useful in building trust and confidence amongst the operational agencies of ARF countries, and for developing a deeper understanding of the operational challenges in the maritime domain.
- v. As part of the process of positioning itself for the 21st century, the Singapore Armed Forces (SAF) will promote regional military co-operation and dialogue. Over the years, the SAF has developed a wide range of bilateral interactions with a number of armed forces in the region. These include joint exercises and training programmes, exchange visits, professional seminars and cross-attendance of military courses. The SAF

will continue to enhance its interoperability with friendly forces in the region in various areas of professional interest.

- vi. In addition to professional interactions at the bilateral level, all three Services of the SAF have actively engaged in multilateral defence co-operation and confidence building measures. The following are some of the recent multilateral initiatives that the SAF was involved in:
- a. The Republic of Singapore Navy (RSN) has worked closely with the Navies of Indonesia and Malaysia under the Malacca Straits Sea Patrols [formerly known as the Malacca Straits Coordinated Patrols (MSCP)] since its launch on 20 July 2004. This is an arrangement which has the three navies patrolling the Straits on a 24/7 basis.
 - b. In May 2005, the RSN and the Indonesian Navy (TNI-AL) launched Project SURPIC, a sea surveillance system that allow the security elements of both navies to share a common real-time sea situation picture of the Singapore Strait, thereby improving the effectiveness of the Indonesia-Singapore Coordinated Patrol (ISCP) arrangement, which has been in place since 1992.
 - c. In September 2005, the RSN has worked closely with the navies of Indonesia and Malaysia on the "Eyes in the Sky" maritime air patrols. This arrangement involves the stationing of Combined Mission Patrol Teams – comprising officers from Indonesia, Malaysia and Singapore – on board aircraft which patrol the length of the Malacca Straits.
 - d. The SAF hosted the 2nd Regional Counter-Terrorism Conference in November 2005. The event brought together some ninety participants from various armed forces and counter-terrorism agencies from 19 countries in the Asia-Pacific region. A follow-up to the successful inaugural conference hosted by the Australian Army Special Operation Command in June 2004, this conference provided a unique platform for special forces and security officials of the Asia-Pacific region to share information regarding national counter-terrorism mechanisms and the capabilities of the special forces' counter-terrorism units. An operational demonstration was incorporated into the programme to highlight the importance of an integrated and coordinated approach to tackle the complex issues posed by terrorism.
 - e. In response to the earthquake that hit Central Java on 27 May 2006, Singapore offered a humanitarian assistance package to Indonesia comprising a medical team from the SAF and a Disaster Assistance and Rescue Team (DART) from the Singapore Civil Defence Force, and humanitarian assistance supplies. Our rescue efforts centred on Bantul, which was the worst hit district.

- vii. Singapore is also committed to international efforts to prevent the spread of WMD. Such efforts are particularly important given the threat of global terrorism and the dangerous possibility of WMD falling into the hands of terrorists and other undesirable elements. Singapore therefore supports the Proliferation Security Initiative (PSI) as part of our overall effort in countering terrorism and the proliferation of weapons of mass destruction. As part of our contributions to the Proliferation Security Initiative (PSI), Singapore hosted a PSI maritime exercise, Exercise Deep Sabre in August 2005. 13 PSI countries participated in this exercise, while Brunei, Malaysia, Pakistan and Vietnam sent observers. Our military, civilian and law enforcement agencies also participated in various PSI activities and exercises over the course of the last year. Singapore will be hosting a PSI Operational Experts Group (OEG) Meeting, involving 20 PSI OEG countries, from 25-26 July 2006. Singapore has taken other concrete steps to counter WMD proliferation. For example, we have put in place a robust export control system with the Strategic Goods (Control) Act, and we are participating in the Container Security Initiative (CSI) to safeguard the integrity of the trade that passes through our ports. In addition, Singapore co-hosted an ARF Export Licensing Experts Meeting with Canada in November 2005, and an ARF Seminar on Non-Proliferation of Weapons of Mass Destruction with China and the United States in March 2006. Singapore will also be co-hosting with the US and China, an ARF CBM Seminar on UN Security Council Resolution 1540 in early 2007.

Prepared by ASEAN Singapore

July 2006

**ASEAN REGIONAL FORUM
ANNUAL SECURITY OUTLOOK 2006
THAILAND**

I. Overview

1. The political and security environment in the region continues to be shaped by three major developments, namely the interplay of relations among and between the major powers as well as their engagements with ASEAN; the increasing threat posed by non-traditional security issues to all countries in the region; and greater focus on regional cooperation and community building. These developments in turn are influencing the evolving regional architecture in the Asia-Pacific.

II. Challenges and Response

2. Although traditional areas of tension and concern still remain, non-traditional security issues, including terrorism, transnational crimes, maritime security, emerging and resurging diseases, natural disaster as well as energy security have become more pronounced, threatening not only the security of the state, but also human security.

3. Thailand has consistently placed emphasis on human security as an approach to deal with the growing scope of security challenges, particularly those from the non-traditional sector. In so doing, Thailand attaches importance to addressing issues of security implications, such as landmines, small arms and light weapons, human trafficking, HIV/AIDS, poverty, etc. from both perspectives of "freedom from fear" (i.e. human safety) and "freedom from want" (i.e. human well-being). During its term as Chair of the Human Security Network - HSN (May 2005-June 2006), Thailand organized a number of activities to promote human security as a framework for directing policy choices. Thailand concluded its HSN chairmanship at the 8th HSN Ministerial Meeting in Bangkok (1-2 June 2006) but will remain resolute in rendering cooperation with concerned parties in order to advance the cause of human security.

Terrorism and Transnational Crimes

4. International terrorism continues to pose a major threat to all countries in the region. From London to Bali, terrorist groups have been indiscriminately targeting innocent civilians to create fear and division. These terrorist acts reflect an ideology of extremism and have no connection with religion or religious beliefs. As these extremist ideas could breed well under certain social conditions, especially where poverty, inequality, injustice, illiteracy and corruption prevail, the war against terrorism must be waged not simply by using force but also by addressing root causes and the promotion of dialogue, especially interfaith dialogue, and understanding among various segments in a society.

5. Terrorist acts are often linked with transnational crimes and other criminal activities. In handling these related problems, Thailand has strengthened efforts and cooperation at the national, bilateral, regional, and global levels. On domestic front, the Office of the National Security Council (NSC), as the national focal point, has established the National Coordinating Centre for Combating Terrorism and Transnational Crime (NCC-CTTC) in 2004 to help strengthen capabilities in threat assessment and inter-agency coordination. In 2005, key progress made include the utilization of electronic passports and the set up of the Advance Passenger Information/Process (API/APP), to prevent terrorists and criminals from carrying out their activities across border. In addition, Thailand is in the process of amending laws to criminalize forgery and foreign travel documents as a serious criminal offence. The Thai Penal Code has also been amended to indicate money laundering and terrorist acts as punishable by heavy fines and long-term imprisonment.

6. At the bilateral and regional levels, progress has also been made concerning the Treaties on Mutual Legal Assistance in Criminal Matters and the Extradition Treaties. Thailand has signed bilateral treaties on Mutual Assistance in Criminal Matters with 5 more countries (in addition to the previous 9) and become a signatory of the ASEAN Treaty on Mutual Legal Assistance in Criminal Matters in January 2006. Thailand has also concluded extradition treaties with 10 countries and is presently under the process of drafting a new legislation on extradition which adheres to the UN Model Treaty on Extradition. We have been working actively with other countries to promote international cooperation on counter-terrorism within various international frameworks including Bali Process, BIMSTEC, APEC and ASEM.

7. In ASEAN and ARF, Thailand has placed emphasis on capacity building in such areas as information sharing, intelligence exchange, document integrity and security, and law enforcement. A list of national contact points in these areas have been updated and submitted to the ARF unit and we hope that all ARF participants would also update their respective contact points. Enhanced coordination and consultation are also encouraged among national focal points of ASEAN member countries and Dialogue Partners as well as concerned agencies including ASEANAPOL, DGICM, SOMTC and ASOS.

8. At the global level, Thailand attaches importance to signing, ratifying and implementing the international agreements and conventions concerning counter terrorism and transnational crimes. During the UNGA in September 2005, Thailand signed the International Convention for the Suppression of Acts of Nuclear Terrorism, the latter of which has been signed by Thailand during the UNGA 60. By April 2006, Thailand has ratified/acceded to 6 of the 13 UN Anti-Terrorism Conventions and Protocols with the remaining 7 in the pipeline. Thailand also remains committed to the UNSC resolutions 1267 (1999), 1373 (2001) and 1540 (2004).

Drug and Human Trafficking

9. Drug and human trafficking constitute an important threat to human security and to the fabric of societies. Regarding drug, one of Thailand's priorities is to curb the spread and illicit use of amphetamine-type stimulant (ATS). On

prevention, Thailand has been sharing its successful experiences in alternative development projects in which opium cultivation has been replaced by cash crops, such as macadamia and coffee. Cooperation in this area has been extended to some interested countries, such as Indonesia, Myanmar and Afghanistan. In addition, Thailand has strengthened collaboration to solve drug problems with neighbouring countries through the Joint Border Committees and will remain committed to making concrete progress in accordance with the ACCORD Plan of Action to achieve an ASEAN Drug-Free Area in 2015, the Pentalateral Cooperation (with China, India, Laos and Myanmar) on Drug Control and the 1998 UNGASS Declaration on Drug-Free Zone.

10. On human trafficking, Thailand signed the Memorandum of Understanding on Bilateral Cooperation for Eliminating Trafficking in Children and Women and Assisting Victims of Trafficking with Cambodia in May 2003 and the MOU on Cooperation to Combat Trafficking in Persons Especially Women and Children with Laos in July 2005. The National Committee in Prevention and Suppression of Human Trafficking, an inter-agency body, and an Operation Centre on Human Trafficking, its operating agency, have also been established in March and June 2005 respectively with a view to improve coordination and implementation at domestic, bilateral, regional and international levels. In this regard, Thailand and Japan has set up a Joint Task Force on Counter Trafficking in Persons, the first bilateral mechanism comprehensively addressing all issues under the three pillars of cooperation: Prevention, Law Enforcement and Protection. Furthermore, Thailand is in the process of enacting a new legislation, the Prevention and Suppression of Human Trafficking Act, to enhance efficiency in solving the problem.

Maritime Security

11. As countries in the region are highly dependent on international trade and commerce which relies on maritime shipping and transportation, and as Southeast Asia straddles several important sea routes, maritime security is an issue of increasing concern to the region. Cooperation in maritime security therefore should be comprehensive, covering such areas as port security, navigational safety, surveillance, early warning system, search and rescue, disaster relief, anti-piracy and terrorism, and environment protection. In this connection, all domestic seaports have been made to comply with the International Ship and Port Security (ISPS) Code since 2004. In September 2005, Thailand signed the Regional Cooperation Agreement on Anti-Piracy (ReCAAP) with a view to sharing information on combating piracy in the Straits of Malacca and Singapore. Thailand also encourages further cooperation to enhance maritime security, including non-military joint naval exercise, as means to promote operational capacity and confidence building among countries in and outside the region, which would in turn has a potential deterrent effect on criminal and terrorist activities.

12. Other important measures to enhance maritime security include the conducting of joint/coordinated patrols among naval and law enforcement forces amongst the concerned countries. In this regard, Thailand welcomes the signing of Terms of Reference-Malacca Strait Patrol-Joint Coordinating Committee (TOR MSP JCC) and Standard Operating Procedures Malacca Strait Patrol by

Indonesia, Malaysia and Singapore in April 2006. As a littoral state, we stand ready to render any necessary cooperation with a view to complement the effort to create a more secure and stable Malacca Straits.

Natural Disasters

13. The earthquake and Tsunami of 26 December 2004 has had a devastating impact on many countries in Southeast Asia, South Asia and Africa, and underscored the threat posed by natural disasters to human security as well as the need for more effective implementation and coordination in early warning systems, disaster relief management, recovery as well as reconstruction and rehabilitation, and preventive measures. In this regard, Thailand National Disaster Warning Centre was established in 2005 to serve as a national focal point to cooperate with other centres in the region. 76 early warning towers for the community safeguard have also been erected in the tsunami risk areas along the western coast of southern Thailand. 43 early warning towers more will be erected along the eastern coast next year. At Thailand's initiative, the UNESCAP Tsunami Regional Trust Fund on 26 September 2005 has been established to accelerate a creation of reliable tsunami early warning system in the region. Thailand deposited US\$10 million to the Trust Fund as seed money and the Swedish government has put in another US\$2.5 million for this purpose. Thailand hopes that further contributions toward this fund would be forthcoming.

14. Thailand has also initiated the development of an ASEAN Standby Arrangement for Disaster Relief and Emergency Response which has been incorporated into an ASEAN Agreement on Disaster Management and Emergency Response. Such standby arrangements would operate in close cooperation with UN agencies in Thailand and other facilities in the region, including the proposed World Food Programme's UN Humanitarian Response Depot (HRD), and involve the development of personnel, equipment and supplies amongst ASEAN Member Countries that would be made available in the event of a disaster, the establishment of standard operating procedures to be used during a disaster, the frequent conduct of joint emergency response exercises and the forging of closer cooperative links with countries outside the region. The recent volcano eruption and earthquake in southern area of Yokyakarta in May 2006 in which ASEAN member countries promptly sent in relief and humanitarian teams at Indonesia's request has proven a clear benefit of such standby arrangement.

Energy Security

15. Energy is undeniably one of the vital ingredients for economic growth. In the current context of growing demand for energy and skyrocketing prices of oil, there is a risk that a quest for energy could bring about tension and even conflict. Peace and stability in the region therefore requires countries to foster constructive collaboration in order to ensure security that meets development needs and does not lead to rivalry.

16. Thailand deems energy security as having great potential for cooperation and has been working on this issue with like-minded countries within the Asia

Cooperation Dialogue (ACD) and the Forum of East Asia and Latin American Cooperation (FEALAC). Thailand hosted the FEALAC Inter-Regional Workshop in June 2006 in which best practices on clean fuels and vehicle technologies materials were discussed. At the 5th ACD Ministerial Meeting in Doha, Qatar, in May 2006, participants agreed to the establishment of the ACD Energy Forum as the sole platform in which energy policies of 30 member countries would be coordinated. The ACD Ministers also encourage the investment of oil revenue to be invested in the Asia's Bond Market for Asia wealth and reducing the impact of speculation in energy trade.

17. In view of the continued high price of oil, nuclear energy has become a necessary option and alternative source for an increasing number of countries in the region. This not only gives rise to concern over the spread of Weapons of Mass Destruction (WMD) falling into wrong hands, but also its possible environment impact. Best practices on nuclear energy development and nuclear safety is therefore a potential area where ASEAN and ARF could share experience in the future.

Regional Key Players

18. Thailand sees regional peace, development and the progress of our community building efforts as contingent on good relations among major powers. In this connection, ASEAN has a pivotal role to play in engaging regional countries and concerned key players through a number of established channels (such as ARF, EAS, ASEAN+3, PMC, etc.). The role of ASEAN in confidence building could also complement similar on-going efforts, such as the Six-Party Talks, and hence contributing to overall political climate that is congenial to socio-economic development.

19. Although tensions remain between some key players in the region and security threat perceptions still inhibit even closer ties, Thailand stands ready to support the efforts among major powers to engage with one another on the basis of partnership and mutual trust.

III. Opportunities in the Evolving Security Architecture

20. Given both traditional and non-traditional security challenges above, there exists in the region a security architecture comprising a collection of bilateral, sub-regional, and regional security arrangements or consultative fora, including the ASEAN Regional Forum (ARF) to the Conference on Interaction and Confidence Building Measures in Asia (CICA), from the Shanghai Cooperation Organization (SCO) to the Shangri-la Dialogue. Despite their differing mandates, these arrangements/fora help promote security in the region through a variety of confidence building efforts. Their work also reinforces the efforts in bilateral security arrangements among regional countries and larger security arrangements such as the Five Power Defense Arrangements (FPDA), all of which contribute to regional peace and security.

21. Notwithstanding various cooperation arrangements, further efforts must be put forth to ensure that the regional security architecture develops in a manner that enhances its effectiveness while raising mutual trust and confidence at the pace comfortable to all states in the region. This could, in part, be achieved through the promotion of (1) the community-building process (2) transparency and norm building and (3) networks of cooperation amongst these various arrangements/fora.

Community Building in the Region

22. Community-building processes contribute not only to the promotion of peace, stability and development but also to enhance regional integration and competitiveness. The establishment of an ASEAN Community with three pillars, namely, the ASEAN Security Community (ASC), the ASEAN Economic Community (AEC), and the ASEAN Socio-Cultural Community (AScC), by the year 2020 or earlier, is the centre-piece of the community building process in Southeast Asia. This will enable ASEAN to play a more proactive role in promoting regional peace and security. Thailand is also keen to see the realization of the East Asia Community (EAC) as another key building block in the development of the Asian Community that will support regional stability and prosperity.

23. Despite progress in community building, a regional community cannot be sustained in an environment where poverty is widespread, where marginalization continues, and where the development gaps and technological divide remain so large. Thailand therefore has highlighted development cooperation as a key component of the community building process.

24. To alleviate poverty, narrow development gaps and promote sustainable development, Thailand has constantly sought closer cooperation with a view to enhancing the capacity of the peoples and their communities in the region particularly under various sub-regional cooperative arrangements, such as Ayeyawady-Chao Phraya-Mekong Economic Cooperation Strategy (ACMECS), Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation (BIMSTEC) and Greater Mekong Sub-region (GMS). Efforts at the sub-regional level also complement those of a larger framework, such as the Asia Cooperation Dialogue (ACD), the Asia-Pacific Economic Cooperation (APEC), the ASEAN Mekong Basin Development Cooperation (AMBDC), the Initiative for ASEAN Integration and the Vientiane Action Programme (VAP).

Transparency and Norm Building

25. To ensure peace and stability, there has been a need to reduce unpredictability and to promote trust and confidence through transparency and norm building. The ASEAN Security Community attempts to achieve this within the Southeast Asia region. Greater transparency within ASEAN has been achieved through continued high-level contacts between defence officials and observation at coordinated or joint exercises. The ASEAN Defence Ministers' Meeting (ADMM), held in Kuala Lumpur in May 2006, represents a significant step forward in this regard.

26. There are also important norm-building exercises being undertaken in the region. The Treaty of Amity and Cooperation in Southeast Asia (TAC), to which ten countries outside Southeast Asia have already acceded as of 2006, and to which several additional countries have expressed interest in acceding this year, has emerged as an important code of conduct in Southeast Asia. Similarly, the Declaration on the Conduct of Parties in the South China Sea (DoC) has been an important framework for promoting cooperation in the South China Sea area. Furthermore, the Southeast Asia Nuclear Weapon-Free Zone Treaty (SEANWFZ), once it is endorsed by the Nuclear Weapon States, would be an important norm-building contribution with regard to nuclear nonproliferation and disarmament efforts in the Southeast Asia region.

Network of Cooperation Amongst Security Arrangements and Fora

27. In recent years, a number of security fora, such as the Shanghai Cooperation Organization (SCO), Conference on Interaction and Confidence Building Measures in Asia (CICA), and the Shangri-La Dialogue, have emerged to join other existing fora in Asia-Pacific. Membership of or participation in such fora, in many cases, overlap each other. Thailand, for example, is a participant in the ARF and CICA, and a Partner for Cooperation of the Organization for Security and Cooperation in Europe (OSCE). Moreover, the issues discussed are similar in nature such as terrorism and confidence building measures, although each forum has its own experiences and uniqueness.

28. Increased interaction amongst the security arrangements/fora in the region, such as the ARF, SCO, and CICA, and with arrangements/fora outside the region such as the OSCE, through exchange of officials, information sharing, exchange of best practices, should therefore be encouraged to enable these arrangements/fora to become more effective in dealing with their specific concerns and issues. In this connection, Thailand is pleased that in May 2006, ARF SOM has adopted the concept paper on Enhancing Ties between Track I and Track II in the ARF, and between the ARF and Other Regional and International Security Organizations and hopes that such ties could soon be realized. We believe that these organizations and institutes along with ARF EEPs which met for the first time in Jeju Island, Republic of Korea, during 29-30 June 2006, will serve as a body of knowledge and expertise from which ARF can draw inputs in moving further towards PD.

IV. Thailand's National Defence Policy

29. Within this regional environment and evolving regional security architecture, Thailand pursues a national defence policy that places priority on cooperation and preventive measures. The National Defence Policy of Thailand comprises six key elements. First, maintain solidarity and support for national interests amongst all Thais. Second, enhance defence capacity by integrating all forces and resources to develop effective monitoring and early warning capacities. Third, develop science and technology to enhance national capacities to confront threats and protect national interests from the negative effects of information

technology. Fourth, create trust and understanding with neighboring countries. Fifth, cooperate with major powers and countries in the Asia-Pacific for stability in the region. Sixth, develop cooperation networks of intelligence to counter terrorism and other kinds of transnational crime.

30. Through preventive defence diplomacy, Thailand would seek to promote security cooperation with all countries at the bilateral and multilateral levels on the basis of mutual respect and mutual benefits to create amity, to maintain neutrality, to consolidate strength, and to prevent conflicts. One area where Thailand can lend its support including, for example, peace-keeping operations under the United Nations framework as evident in the Cobra Gold exercise early this year in which Indonesia, Japan, Singapore, Thailand and the United States have participated. Another area is to provide the appropriate support activities to help combat international terrorism. Enhanced cooperation amongst armed forces in disaster relief operations is another priority issue.

31. Furthermore, the roles of the Thai armed forces have been adjusted to incorporate other tasks beyond defence preparedness and intervention in case of armed conflicts. These modified roles include support to government policy implementation in various areas, such as development, disaster relief, assistance in the Royal initiated projects, elimination of drug trafficking, preservation of the environment and natural resources, etc., all of which serve to help enhance social stability and human security.

V. Conclusion

32. In summary, the evolving regional architecture has been characterized by two opposite trends. On the one hand, traditional security remains, with non-traditional security threats on the rise. On the other hand, efforts to build and strengthen regional community, networks and norms continue to counter security challenges. In the midst of this security environment, Thailand deems ASEAN and its community building processes as a major pillar in the promotion of regional security, stability and development while recognizing that a linkage to other regional frameworks is also vital to ensure sustainable peace and prosperity. It is therefore Thailand's determination to further enhance cooperation at all levels, be it bilateral, sub-regional and regional, for security to be realized will serve mutual benefits of all regional countries and their peoples.

**ASEAN REGIONAL FORUM
ANNUAL SECURITY OUTLOOK 2006
THE UNITED STATES**

The United States remains optimistic about the prospects for continued peace, stability, and prosperity in the Asia-Pacific region. Eight of the world's ten fastest growing economies are in the region while two-way trade between Asia and the U.S. totals more than \$800 billion per year. Enhanced cooperation among the countries of the Asia-Pacific continues in crucial non-traditional security issues despite lingering political tensions that could upset the stability forged in recent years. Significant challenges to regional security remain including North Korea's nuclear program, the proliferation of weapons of mass destruction, terrorism, the situation in Burma, maritime security, disaster preparedness, and pandemic influenza among other infectious diseases. These issues must be addressed both bilaterally and multilaterally as they impact national as well as regional security. Regional cooperation, reinforced by expanded trade, enhanced economic integration, and the spread of democracy, provides enormous opportunities for all countries in the region. Every nation has a shared interest in working together to preserve peace and stability by cooperating to resolve outstanding problems.

Along with our multilateral commitments, the United States remains committed to sustained bilateral engagement in the region through maintaining partnerships with allies and key friends. US alliance relationships with Australia, Japan, Korea, the Philippines, and Thailand, along with our enhanced security relationship with Singapore and renewed defense ties with Indonesia, contribute to peace and stability in the region and provide a security framework that helps to guarantee a stable environment from which all nations of East Asia and the Pacific benefit. With our partners, we will continue to work together to promote political and economic liberty in order to achieve a secure and stable regional environment.

In this light, the US-Japan alliance remains central to the stability of the Asia-Pacific region. Our bilateral relationship has been strengthened by updating our security cooperation agreement and working together with the ROK to resolve important regional concerns through the Six-Party Talks and the Proliferation Security Initiative. The Trilateral Counterterrorism Dialogue has buttressed the U.S. relationship with both Japan and Australia in strengthening regional counterterrorism cooperation and coordination.

US-China relations remain complex, but fundamentally sound. We have cooperated in a number of significant areas, such as the difficult problem of denuclearization in North Korea, counterterrorism, and expanding law

enforcement and counternarcotics collaboration. The frequency of senior-level exchanges has brought renewed stability and energy to our relationship. Our trade ties continue to grow rapidly and we are encouraging China to further open its economy to provide a level playing field for foreign companies to address trade imbalances. In order to expand its role as a major player in the international economic system, China should carefully consider the behavior of regimes in resource-rich countries and join the international community in implementing common standards and norms in its foreign economic relations. While we are widening our military-to-military relations, the U.S. remains concerned about the lack of transparency in China's rapid military modernization process. This uncertainty about China's intentions can raise concern and potentially impact regional threat perceptions. The Chinese government has taken positive steps in developing domestic nonproliferation regulations in recent years, but we are concerned about the continued proliferation activities of certain Chinese entities. In dealing with these issues and others, both China and the U.S. continue to believe that candid dialog and cooperation are the best ways to build confidence and resolve disputes. We believe that a reduction in tensions and an ultimate peaceful resolution of differences across the Taiwan Strait requires Beijing to engage in meaningful dialogue with Taiwan's democratically elected leaders. The U.S. views China's increasingly active participation in multilateral security and economic institutions, in particular ARF and APEC, as welcome developments, and we encourage China to further act as a responsible stakeholder in the international community. Pursuant to its desire to fully integrate itself with the global system, we continue to urge China to bring its law and practices on human rights and religious freedom into compliance with international standards. As we cooperate with China to build on our common goals in the areas of non-proliferation, counterterrorism, and economic prosperity, we look forward to working with China towards a more secure and prosperous Asia-Pacific.

The strengthening of democracy in the region contributes to peace and stability by creating well-governed states that can meet the needs of their citizens and conduct themselves responsibly in the international system. One of most notable successes in the region remains the signing of the Aceh Peace Accord. The agreement marks a hopeful step toward Indonesia resolving longstanding grievances in Aceh and we urge all parties involved to implement the provisions of the accord. The U.S. remains committed to democratic development throughout the Asia-Pacific. In 2005, we committed over \$23 million in Cambodia to strengthen democracy through developing programs to promote civil society, good governance, and human rights. In the same year, the U.S. dedicated over \$64 million to Indonesia in order to support populations at risk and strengthen local governance. Through the ASEAN-US Enhanced Partnership, we will strengthen our cooperation with ASEAN in a wide array of democratic and economic development activities. We applaud the efforts of governments in the region in their renewed emphases on the rule of law, good governance, and the development of democratic institutions. While the U.S.

remains concerned about human rights and suppression of political expression in certain countries, we remain hopeful that all governments in the region will realize that the security and true stability of all depend on the freedom of their citizens.

ARF participants recognize that their security interests include transparency, mutual understanding, and regional cooperation. The United States and other countries in the region are advancing these interests through participation in multilateral institutions and by strengthening understanding and capabilities in addressing non-traditional security challenges such as the proliferation of weapons of mass destruction, global and regional terrorist threats, maritime security, and humanitarian crises. As countries cooperate on these and other issues, multilateral institutions in the region should seek to complement each other, ensuring that they do not duplicate the work being done in other multilateral fora. Non-traditional security cooperation comprises areas of mutual concern in the Asia-Pacific region and provides substantial opportunities for mutual collaboration through our bilateral relationships, the ARF, and other multilateral fora. We hope that security cooperation in these and other areas will offer opportunities within the ARF to develop more concrete measures of cooperation.

Major Challenges

Despite the generally favorable strategic environment, the region continues to face serious challenges to its security. It is important that Asia-Pacific countries work together to meet these challenges in order to enhance regional prosperity, peace, and stability.

North Korea

One of the most serious security challenges facing the region is North Korea's nuclear and missile programs. On September 19, 2005, at the Fourth Round of the Six-Party Talks, the U.S., Japan, the Republic of Korea, China, Russia, and the DPRK unanimously adopted a Joint Statement of Principles, in which the DPRK committed to "abandoning all nuclear weapons and existing nuclear programs and returning, at an early date, to the Treaty on the Non-Proliferation of Nuclear Weapons and to IAEA safeguards." A promising event for regional peace and stability, the Joint Statement offered the DPRK significant benefits from the other parties, including security provisions, economic cooperation, and energy assistance. The document makes clear that those benefits would accrue only in the context of the denuclearization of the Korean peninsula. As indicated in the Joint Statement, the United States and the DPRK would take steps to normalize relations, subject to bilateral policies.

The Fifth Round of Talks began in November 2005 to open discussions on implementing the Joint Statement, and the parties agreed to return to Beijing at an early date to resume the round. The U.S. and other parties are eager to

return to the table and begin the process of implementing the Joint Statement, but the DPRK so far has refused to meet, accusing the U.S. of maintaining a "hostile policy." Against this backdrop, the DPRK ended its self-imposed long-range missile moratorium by launching a series of missiles in early July, including a Taepo-Dong 2 long-range missile. The five remaining Six-Party members expressed grave concerns and the U.S., along with others in the international community, condemned this provocative act. This behavior underscored DPRK intransigence and unwillingness to heed calls for restraint. This type of provocative behavior only further isolates the regime and its people. While the United States remains committed to a peaceful diplomatic solution and to implementation of the agreed upon Joint Statement, the North Korean regime's actions and unwillingness to return to the talks appear to indicate that they have not yet made the strategic decision to give up their nuclear programs as pledged to the other five parties in exchange for a better future for the North Korean people. Nuclear weapons will not enhance North Korea's security and economic development; they will not help alleviate regional concerns; nor will they build friendships in the region of the kind the DPRK needs to improve lives of millions of North Koreans.

All parties will benefit from the full implementation of the Joint Statement. For the DPRK, this would mean security, new economic possibilities through trade and aid, and an improved external environment. The multilateral nature of the Six-Party Talks strengthens a system of relationships between Northeast Asian countries – a system North Korea is welcome to join, provided it takes the step of eliminating its nuclear weapons and nuclear programs. The DPRK would have the opportunity to participate fully in what is perhaps the most dynamic region in the world. But this process cannot begin to move forward until the DPRK returns to the Six-Party Talks.

Proliferation of Weapons of Mass Destruction

The proliferation of weapons of mass destruction (WMD), their means of delivery, and related items threatens the security of every member of the international community. Proliferation among states remains an important concern, while the region has also become more conscious in recent years of the role of WMD proliferation networks and of the possibility that terrorist groups might acquire and use such weapons. The international and regional community have taken a number of important steps to meet the proliferation challenge. For example:

United Nations Security Council Resolution 1540 obligates all UN member states to put in place effective national legal and regulatory measures to prevent the proliferation of WMD, their delivery systems and related materials and to maintain physical protective measures, border controls, and national export and transshipment controls over such items. We encourage all states to implement, and enforce, such measures to ensure effective implementation of the Resolution. The U.S. stands prepared to work with other states in building

capacities in this regard, and plans to address this issue in the ARF context at a seminar in Spring 2007.

The Additional Protocol provides another valuable tool for the international community in addressing the threat of nuclear weapons proliferation by establishing a new verification standard for the IAEA. The Additional Protocol also plays an important role in reducing the risk of nuclear proliferation, and promotes the goal of verifying other states' compliance with their nonproliferation obligations. The greater verification role of the IAEA provided by the Additional Protocol will facilitate detection of undeclared nuclear activity at an earlier stage. Global nonproliferation efforts are much more effective when undeclared nuclear activity and nuclear weapons programs are thwarted in their infancy.

In addition to signing the Additional Protocol, we urge all responsible states to endorse the Proliferation Security Initiative (PSI) Statement of Interdiction Principles and to participate in the PSI. The PSI, in which a number of ARF participants take part, complements other efforts to stop illicit trade in weapons of mass destruction, their delivery systems, and related items. PSI participation is one way in which countries can implement the obligations of UNSCR 1540. PSI participants share a commitment to combat the growing proliferation threat in a manner consistent with national legal authorities and relevant international laws. In 2004, the United Nations High Level Commission recommended that all states participate in the PSI, and in March 2005, Secretary General Kofi Annan applauded PSI for filling "gaps in our defenses."

Complementing cooperation within the ARF to fight proliferation, APEC economies are also making efforts to eliminate the danger posed by the proliferation of weapons of mass destruction and their delivery systems, as pledged by APEC Leaders. Many APEC economies have committed to taking several steps that enhance regional security including implementing the APEC Key Elements for Effective Export Control Systems, ensuring the safe handling and trade of radioactive sources, securing commercial aviation from the threat of Man-Portable Air Defense Systems (MANPADS), and implementing the APEC Framework for the Security and Facilitation of Global Trade. Work in the ARF, APEC, and other bodies show what we can accomplish when we take concrete steps together to confront threats such as the danger posed by the proliferation of WMD. Our progress makes it more difficult for proliferators to act in the Asia-Pacific region. However, work remains to be done.

Terrorism

East Asian countries made significant progress over the last year in both preventing terrorist attacks and creating an international environment inhospitable to terrorists, their infrastructure, and their ability to operate. Despite this progress, Southeast Asia remains an attractive theater of operations for terrorist groups such as the Jemaah Islamiya terrorist organization (JI), the Abu

Sayyaf Group (ASG), and the Rajah Sulaiman Movement (RSM). In 2005, the Philippines experienced multiple, simultaneous bombings in several cities on February 14 and an August explosion aboard a ferry in Basilan, altogether killing 12 and injuring more than 180. On October 1, 2005 in Bali, Indonesia, three suicide bombers killed 22 people and injured more than 120, including seven US citizens. Furthermore, separatist insurgencies in the region have contributed to an environment of lawlessness, which terrorist groups may attempt to exploit for their own purposes. These groups – and in particular the disturbing trend of growing cooperation among them– remain a serious security threat to both Western and domestic targets in Southeast Asia.

Terrorism in the Asia-Pacific region is a transnational problem requiring robust political, security, and economic cooperation among states and their governmental agencies. In the Asia-Pacific region, many of the burgeoning institutions centered on counterterrorism cooperation and training provide promising opportunities to enhance regional capacity building in countering terrorist activity. National capacity building has also accelerated its pace as several countries have developed new institutions, processes, and laws to combat terrorism within their borders and along their periphery.

Many East Asian countries achieved important successes in their counterterrorism efforts. Indonesian and Filipino authorities have thwarted many elements of JI, ASG, and RSM, including Indonesia's involvement in the November 2005 death of Azahari bin Husin. Moreover, many countries, in particular the Philippines, made important progress in tracking, blocking, and seizing terrorist financial assets. Working with the U.S., Thailand has cooperated on a number of joint exercises and training opportunities while Cambodia has enhanced its border controls, port safety, and military equipment security, and has convicted a group of individuals plotting terrorist attacks within Cambodia. Japan has continued to reform national and regional agencies to reflect counterterrorism objectives while Australia continues to cooperate on a host of measures, in particular the Regional Movement Alert List (RMAL) through APEC.

Despite these national and regional successes, we remain concerned about some remaining weaknesses in the capacities and infrastructure needed to effectively combat this transnational threat. Many Southeast Asian countries need to implement more effective legal reforms, interagency and intergovernmental coordination mechanisms, and controls to dismantle the logistical networks of terrorist groups. The United States remains prepared to assist countries of the region in this shared effort. Terrorism has rapidly become a transnational threat, mandating the need for greater cooperation, creativity, and coordination among states and within governments in the region.

Maritime Security

Maritime security, in particular in Southeast Asia, constitutes a critical security challenge that we must work together on to ensure regional economic stability. One-third of global trade and over half of the world's oil pass through the Straits of Malacca. The Celebes and Sulu seas have emerged as a possible hub for terrorist activity and transit, highlighting the need for a link between regional efforts in counterterrorism and maritime security. In US efforts to foster a secure maritime domain, we respect both the sovereign rights and responsibilities of littoral states and cooperate with regional entities to develop partnerships with willing nations to enhance the overall capabilities and capacities to identify, monitor, and respond to maritime threats consistent with legal authorities and frameworks.

The maritime security threat is real, requiring substantive and urgent cooperation among both user and littoral states. Under the IMO framework, the U.S. hopes to coordinate with other donors in providing assistance to the recipient states while respecting their sovereignty, territorial integrity, and leadership role over security in their waters. The skills associated with the key elements of maritime security offer the means to address not only potential acts of terrorism, but also other transnational maritime challenges including smuggling, illegal immigration, piracy, trafficking, and environmental hazards. The wide range of threats the region faces makes it both possible and indispensable for ARF participants to work together, even if they do not always share the same view about the principal maritime threats they face. Within the ARF and other preexisting regional and international fora, user and littoral states must bilaterally and multilaterally continue to build on these foundations and further expand their cooperation.

Burma

The situation in Burma continues to tragically deteriorate, posing risks to Burma's immediate neighbors and the rest of the world. The Burmese regime refuses to take any meaningful steps toward national reconciliation and the establishment of democracy, continuing to detain Aung San Suu Kyi, U Tin Oo, Hkun Htun Oo, and over 1,100 other political prisoners for no justifiable reason at all. The regime ignores the political aspirations of the Burmese people and neglects to provide adequate social services for its struggling citizenry. Furthermore, the spread of infectious diseases, internally displaced persons, refugee flows, ethnic conflict, abuses of ethnic minority civilians, and the continued, unhampered flow of narcotics, all constitute significant challenges to regional stability. Through the UN Security Council and other venues, the international community has continued to call for the emergence of a unified, democratic, and independent Burma that respects the human rights and well-being of its citizens and contributes to regional peace and prosperity. We

encourage ARF governments to express their concerns about deteriorating conditions in Burma both publicly and in private discussions with the regime.

Humanitarian Crises

Dealing with nontraditional security challenges such as humanitarian crises is an important aspect of the missions of ARF and APEC to enhance human security in the Asia-Pacific region. One such challenge remains disasters and the regional response to those crises. In the aftermath of the December 2004 tsunami, the government and people of the United States joined the international community in efforts to assist the affected areas through \$841 million in US government assistance and \$1.8 billion in private donations. When the United States itself was struck by disaster, the outpouring of support and assistance from governments and citizens in the Asia-Pacific region and from around the world for those affected by Hurricane Katrina served as a significant reminder of the importance of mutual assistance in disaster response scenarios. The U.S. urges countries in the region to continue their cooperation in developing a more effective tsunami early warning system, greater donor-recipient coordination, and the maintenance of long-term efforts towards reconstruction, particularly in the areas affected by the tsunami and other recent disasters.

The enormous threat posed by pandemic and avian influenza is a potential nontraditional security challenge that merits increased cooperation and coordination among countries in the Asia-Pacific. In January 2006, the U.S. pledged \$334 million to support the global campaign against avian influenza and a potential influenza pandemic. Working with international organizations and threatened countries, this assistance will help develop preparedness plans, improve surveillance, support research, train medical response teams, and raise public awareness of practices that contribute to the spread of the avian influenza virus. The U.S. and partners around the globe have established the International Partnership for Avian and Pandemic Influenza with the goals of elevating the issue on national agendas, coordinating efforts among donor and affected nations, and mobilizing and leveraging resources to prepare for, contain, and respond to an influenza pandemic. Greater transparency and timeliness in sharing information and viral samples from animal outbreaks and human cases, enhanced national pandemic planning and greater coordination within and among countries at risk remain central to ensuring an effective, global response to this threat.

Conclusion

The U.S. is encouraged by the economic, security, and political cooperation that has developed in recent decades. The ARF has proven to be the primary forum for promoting regional security cooperation. It is our hope that ARF will build upon this success and continue its valuable confidence-building

work while continuing its move into preventive diplomacy. By seeking concrete ways to cooperate on issues of mutual concern, ARF participants will increase their ability to successfully meet these significant challenges we all face, while building on the progress we have already achieved.



**Workshop on Training for the Cooperative Maritime Security,
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