



# ISIS FOCUS





## ISIS MALAYSIA

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- National and International Economic Affairs;
- Nation-Building;
- Science, Technology, Industry, Energy and Natural Resources;
- International Understanding and Co-operation;

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- Undertake research in various and specific fields, and conduct long-term analysis of public policies on national and international issues;
- Contribute towards efforts in promoting general and professional discussions on important national and international issues through the organisation of seminars, conferences and other activities;
- Provide an avenue and a forum for individuals, experts and intellectuals from various fields for the exchange of views, opinions and research in a free and conducive atmosphere;

- Disseminate information on research findings and other pertinent activities undertaken by or on behalf of the Institute;
- Provide library facilities on relevant subjects pertaining to national and international issues;
- Collaborate and co-operate with other bodies within or outside Malaysia for the furtherance of its objectives;
- Assist and guide students and researchers to conduct research on national and international issues.

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- Managing of the Malaysian International Visitors' Programme;
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- Administering the Perdana Scholarship/Fellowship Programme.

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**2****From Recession to Recovery: How Soon and How Strong?***The Asia Pacific Roundtable, 2009***12****Asean after the Asean Charter: Priorities and Prospects for a People-Centred Asean****15****The Endangered Earth – What the Asia Pacific Can Do About Climate Change****20****Energy Security: Challenges and Policy Options for the Asia Pacific Region****26****The Nexus between Religion, Radicalism and Terrorism: How Real?****32****Security Implications of Climate Change – A Looming Concern for the Asia Pacific****35****The 31<sup>st</sup> Steering Committee Meeting of the Council for Security Co-operation in the Asia Pacific****38****The Inaugural Meeting of CSCAP Malaysia, 2009****42****Book Review  
The New Silk Road: How a Rising Arab World is Turning Away From the West and Rediscovering China****EDITORIAL TEAM**

Tan Sri Mohamed Jawhar Hassan  
Chairman

Dato' Dr Mahani Zainal Abidin  
Chief Executive

Mr Steven Wong  
Assistant Director General

**PHOTOGRAPHERS**

Jeffri Hambali  
Halil Musa

**PUBLISHED BY**

Institute of Strategic and International Studies (ISIS) Malaysia  
No. 1, Persiaran Sultan Salahudin,  
PO Box 12424,  
50778 Kuala Lumpur,  
Malaysia.

Tel: + 603 2693 9366  
Fax: + 603 2691 5435  
Email: [info@isis.org.my](mailto:info@isis.org.my)  
Website: [www.isis.org.my](http://www.isis.org.my)

## FROM RECESSION TO RECOVERY: HOW SOON AND HOW STRONG?

*The global economy is experiencing its deepest downturn in the post-World War II period with 15 of 21 advanced economies currently in recession. Global growth was projected to decline by 1.3% in 2009, the first recorded global economic decline since the Great Depression. The current situation is a rare combination of financial crisis in advanced economies with a globally-synchronised recession. Dr Prakash Kannan, an Economist at the Research Department of the International Monetary Fund, spoke at a ISIS seminar on the topic 'From Recession to Recovery: How Soon and How Strong?' on June 17, 2009. During his tenure at the IMF, Dr Kannan has worked on exchange rate issues and the IMF flagship publication, The World Economic Outlook. Prior to working at the IMF, Dr Kannan served as a Senior Executive with the Monetary Assessment and Strategy Department at Bank Negara Malaysia, the Central Bank of Malaysia. ISIS Senior Fellow **Veena Loh** reports.*

**Dr Kannan's** Research Findings Attempt to Answer Three Key Questions:

1. Are recessions and recoveries associated with financial crises different from what we see in a business cycle?

2. What are the main features of globally synchronised recessions? Are there any further complications?
3. Can counter-cyclical policies help shorten recessions and strengthen recoveries?

'For historians, each event is unique. Economics, however, maintains that forces in society and nature behave in repetitive ways. History is particular; economics is general.'

- Charles Kindleberger  
(Manias, Panics and Crashes)

### Findings for Advanced Economies

Kannan's research findings indicate that recessions in advanced economies associated with financial crises are severe

and recoveries from such recessions are typically slow. These features become more pronounced if, in addition, the recession is global.

Counter-cyclical policies are helpful in ending recessions and strengthening recoveries.

### Findings for Asia-Pacific

Export dependent economies in Asia are doubly vulnerable to export shocks, because their domestic demand cycles move in synchronicity with the export sector.

Financial stress — notably bank impairment — makes recessions in Asia noticeably longer and deeper.

Recoveries in Asia end up being typically relatively weak because they are overly dependent on exports.

### Recessions and Recoveries in Advanced Economies

#### Business Cycle Dating

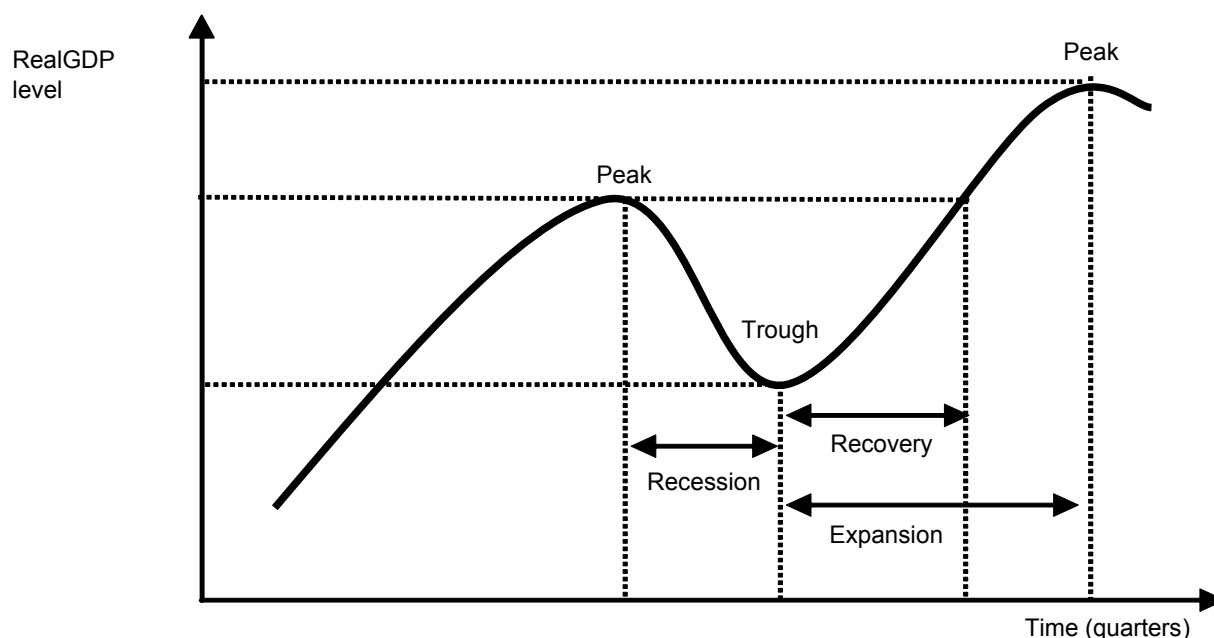
Kannan adopted the 'classical' approach to dating business cycles used by Bry-Boschan (1971) and Harding & Pagan (2002). The classical approach defines cycles on output levels rather than looking at deviations from trends. Peaks (end of boom/start of recession) and troughs (end of recession/start of recovery) are identified in business cycles in the chart on page 3.



Prakash Kannan



### Classification of a Business Cycle



The advantage of using this form of measurement is that it is replicable on a cross-country basis while the disadvantage is that it is a fairly narrow measure of activity for defining business cycles.

This method of dating business cycles is similar to the US National Bureau of Economic Research which takes a broader approach but also looks at other data such as retail sales, unemployment and private consumption, etc. However, economists are constrained by incomplete data when comparing across countries whereas GDP data is most readily found across countries.

### Identifying the Nature of Recession

Associating recession in advanced economies with financial crisis:

- i. Kannan used a series of dates from studies done

by Reinhart-Rogoff (2008), and Kaminsky-Reinhart (1999) which looked at a broad selection of nations and episodes when there was a failure of large government institutions or when there was a significant government hand in the bailing out of financial institutions.

- ii. Recessions are associated with financial crisis if the start date of the financial crisis was either before or in the early part of a recession.
- iii. Highly-synchronised recessions are defined as periods when 50 per cent or more of the sample of countries are in recession simultaneously.

### Data and Summary Statistics

Quarterly data for 21 advanced economies were obtained between 1960 and 2008 and it

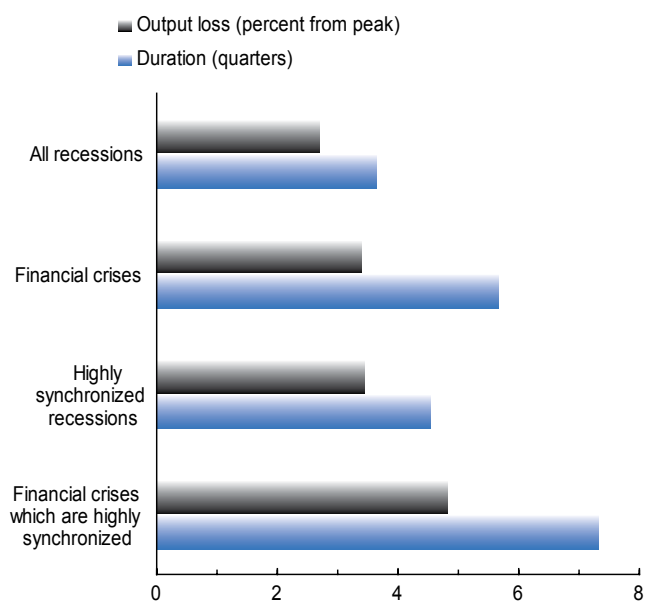
was found that excluding the current recession, there were 122 recessions during this period, of which:

- 15 were associated with financial crisis (rare events)
- 37 were globally synchronised (mid-70s oil price shock, Volcker's disinflation period in '80s and Scandinavian banking crisis in early '90s).
- 6 were associated both with financial crisis and globally synchronised recessions.

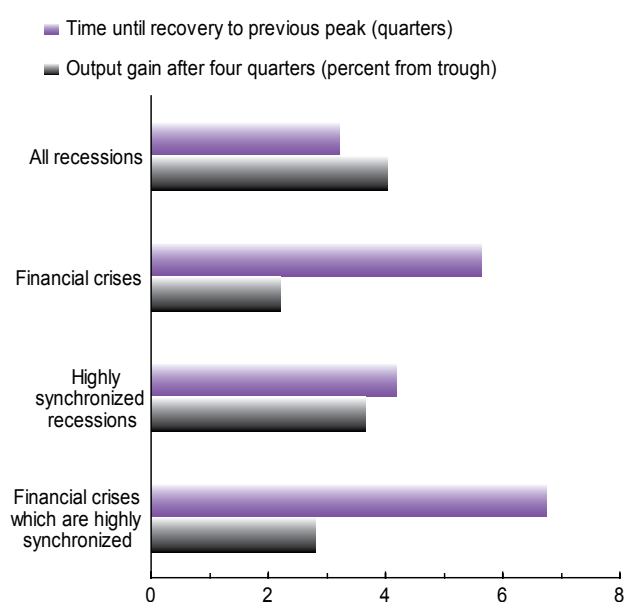
### Features of Advanced Economic Recessions and Recoveries Across Types of Recession

The findings show that financial crisis is associated with higher output loss and duration of recovery. Recoveries associated with financial crisis end up longer than a typical recession, as shown in the charts on page 4.

Recessions

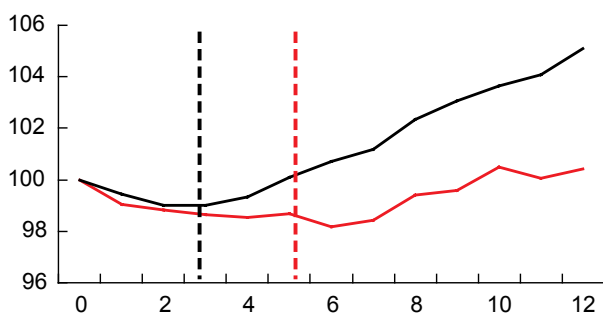


Recoveries

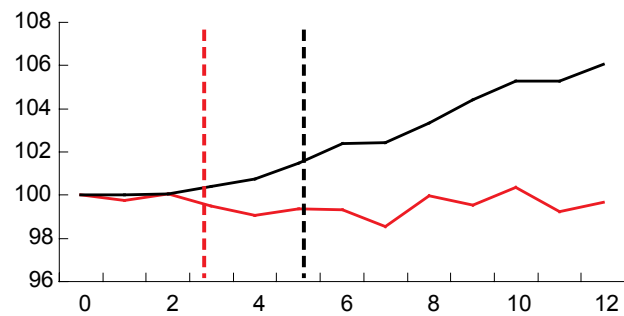


Output

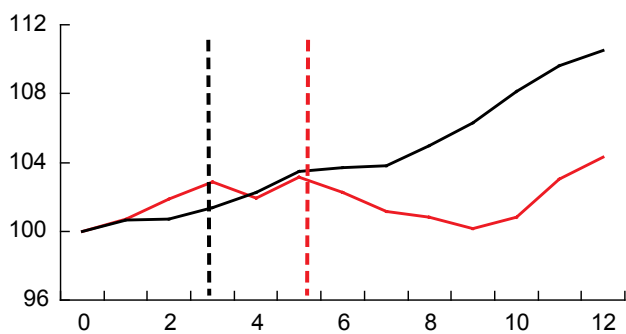
— Financial — Mean time to trough in output for financial  
— All other — Mean time to trough in output for all other



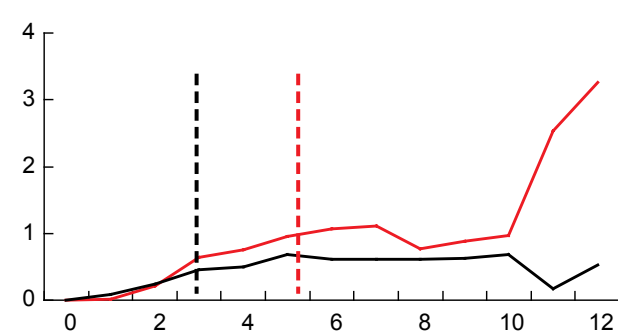
Private Consumption



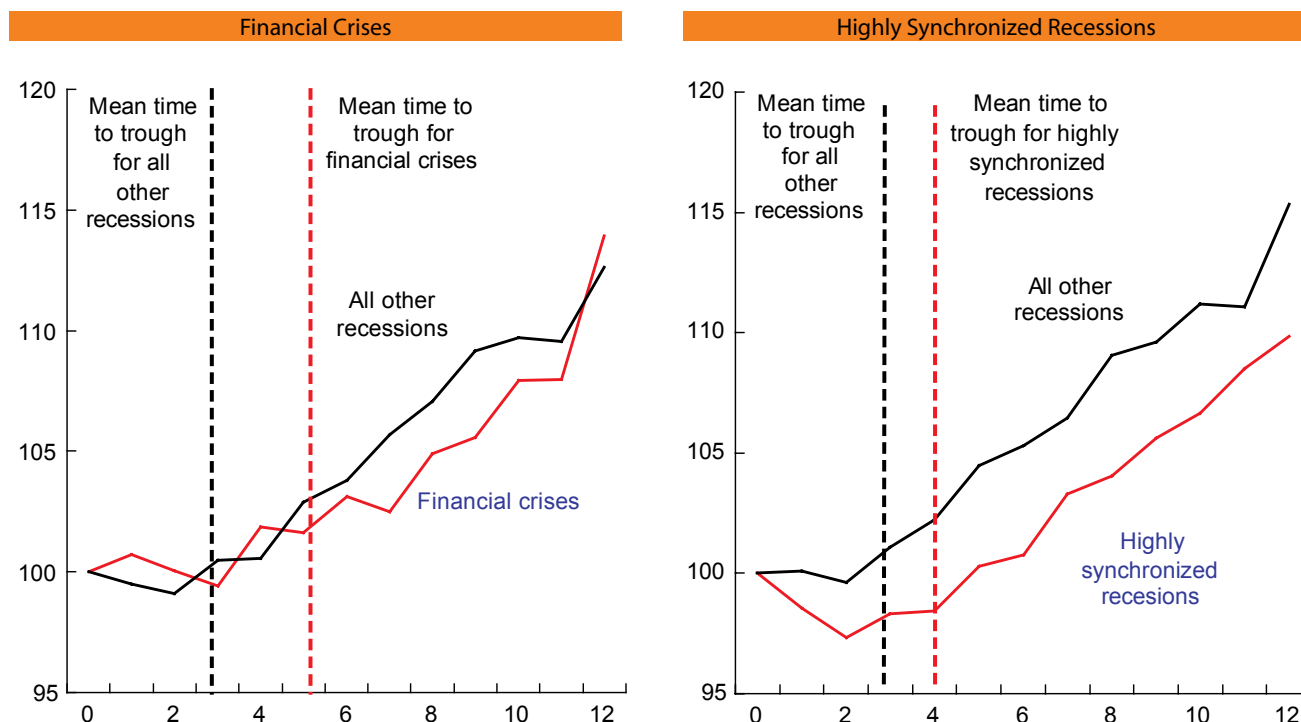
Credit



Trade Balance



Note: Numbers on horizontal axis refer to quarters



Note: Numbers on horizontal axis refer to quarters

For recessions associated with financial crisis, private consumption remains flat even three years after the start of the recession.

Before the crisis strikes, there are signs of overheating: overheated labour market and rapid credit growth. Once the crisis hits, there is a large increase in savings, and banks undergo deleveraging while private consumption stays flat.

When there is a highly synchronised global recession, exports collapse significantly and are unable to pick up.

## Counter-cyclical Monetary and Fiscal Policies

### Measuring Discretionary Fiscal and Monetary Policies

Fiscal policy is measured by:

- Government consumption (cyclically-adjusted) and
- Changes in primary balance (cyclically-adjusted) which is fiscal balance excluding interest payment.

Monetary policy is measured by deviations of nominal and real interest rates from a policy rule.

All policies are measured as peak-to-trough changes.

### Questions and Methodologies

The analysis centres on attempting to answer the two questions below:

- Do policies help shorten the duration of recessions?
- Do policies help strengthen recovery?

Methodology: Duration analysis was used to address

the first question, and linear regression analysis (with country fixed effects) the second question.

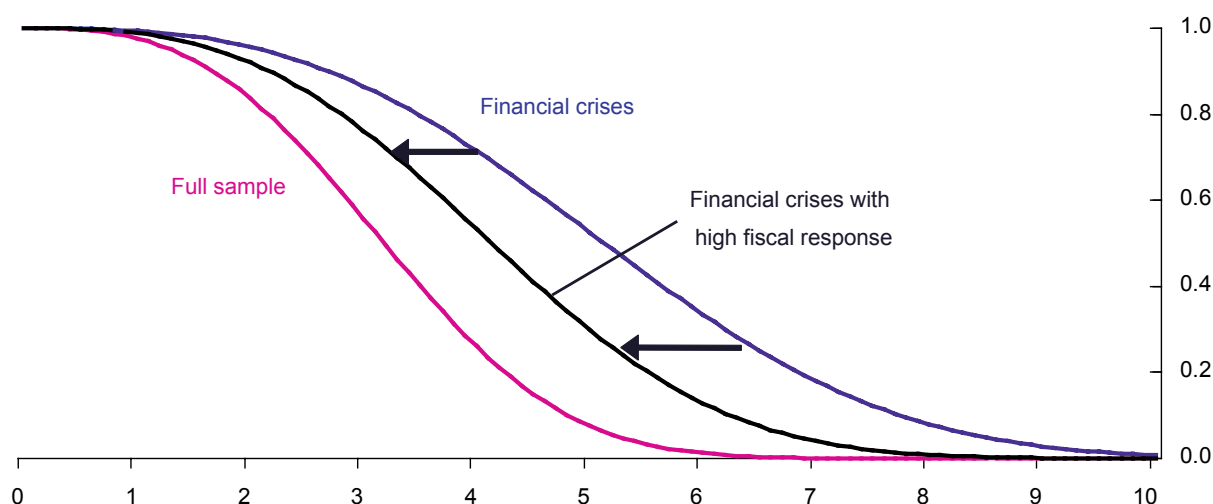
### Fiscal Stimulus is Effective in Financial Crises

For a recession without a financial crisis, the probability that the economy remains in a recession, given that it has already entered into one after six and half quarters, is zero.

When there is a financial crisis and a recession, the probability that the economy remains in recession, given that it has already entered into one, goes up to 30 per cent.

However, high fiscal policy intervention in a financial crisis episode has the effect of reducing this probability.

### Probability of Remaining in a Recession Beyond a Certain Number of Quarters



#### **Appropriate Policies Can Shorten Recession Duration**

Fiscal policy has a significant impact in reducing the duration of a recession associated with a financial crisis. There is no significant difference in the effectiveness of monetary policy during these episodes. Across all recessions, monetary policy is effective in shortening the duration of a recession whereas there are no robust results found for fiscal policy.

#### **Expansionary Policies are Associated with Stronger Recoveries**

Some countries recover faster after the end of a recession. Kannan examined the features of recession and the impact of variations of government policy on recoveries. Findings show that both expansionary fiscal policy and monetary policy have an impact in strengthening economic recovery. A one standard deviation increase in government consumption is

associated with an increase in the cumulative growth rate during recovery of about 0.8 per cent.

#### **Level of Public Debt Reduces the Effectiveness of Fiscal Policy**

- In Malaysia and the UK, there are concerns about aggressive use of fiscal policy being counterproductive due to concerns about fiscal sustainability. An economy entering into recession with a higher level of debt (public debt to GDP) will find its fiscal effectiveness reduced.
- Aggressive use of discretionary fiscal policy, therefore, does raise concern about fiscal sustainability.

#### **Current Advanced Economy Recessions in Perspective**

The current global economic and financial recession is likely to be severe but counter-cyclical policies have been aggressive. The charts on page 7 show

the behaviour of the US and advanced economies in the present recession as compared to previous recessions. All economies faced a contraction but the US recession showed a much sharper increase in unemployment. The start of the financial crisis was associated with a sharp fall in private consumption. The decline in the US has been much sharper. Residential investment has fallen more than during previous recessions, reflecting the state of the housing sector in the US. This round, the counter-cyclical policies have been very aggressive. Interest rates reduced much more than in previous episodes and government consumption increased in a timely manner.

#### **Recessions and Recoveries in Asia-Pacific**

##### **Classification of Recessions**

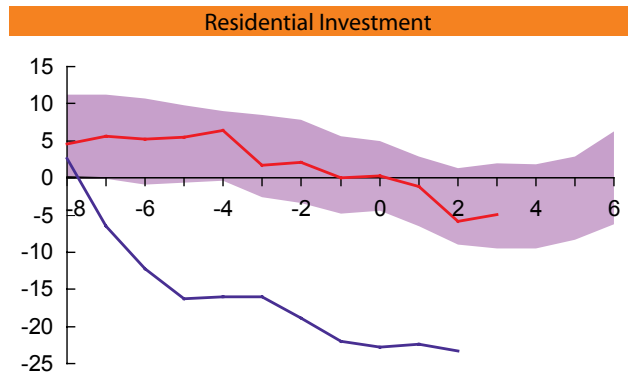
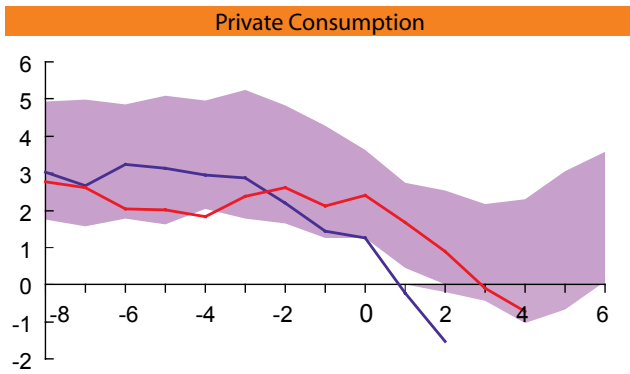
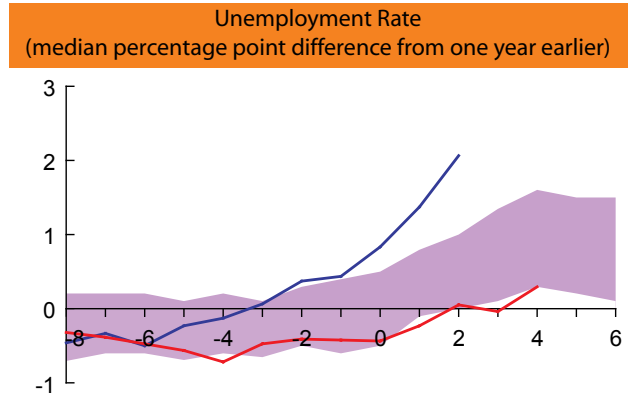
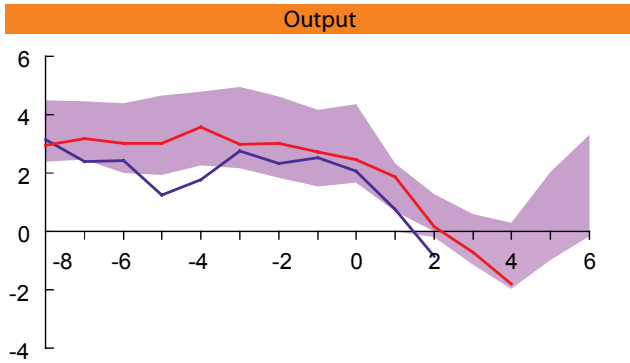
An attempt was made to distinguish between financial



**Median Log Differences from One Year Earlier Unless Otherwise Noted; Peak in Output Level at  $t = 0$ ; Quarters on x – axis**

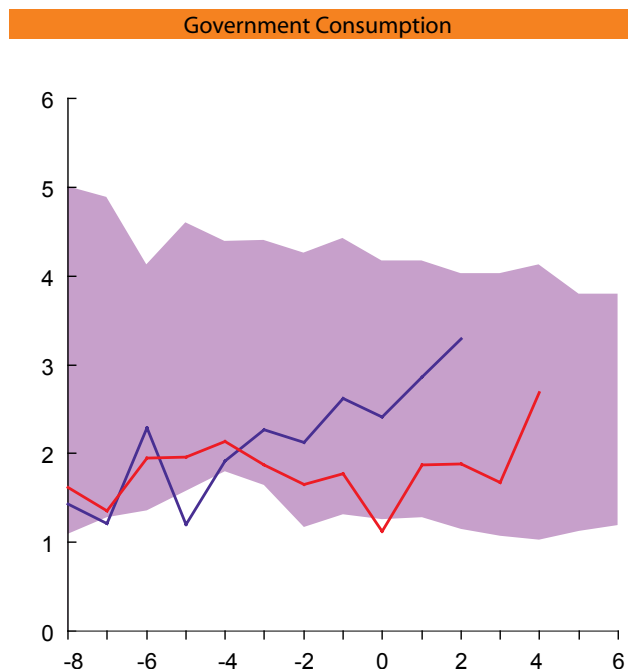
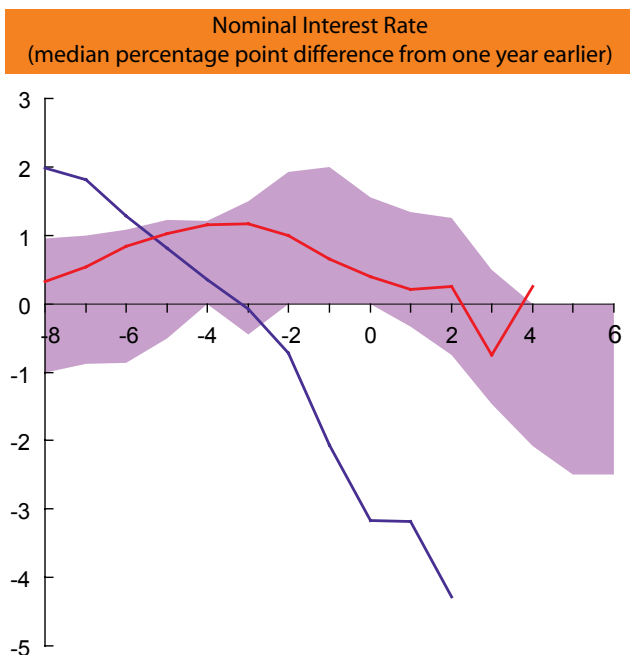
— Current U.S.  
■ 50 percent interval of previous recession

— Median of all other current recessions



— Current U.S. recession  
■ 50 percent interval of previous recession

— Median of all other current recession



stress and non-financial stress recessions, and export recessions versus non-export recessions.

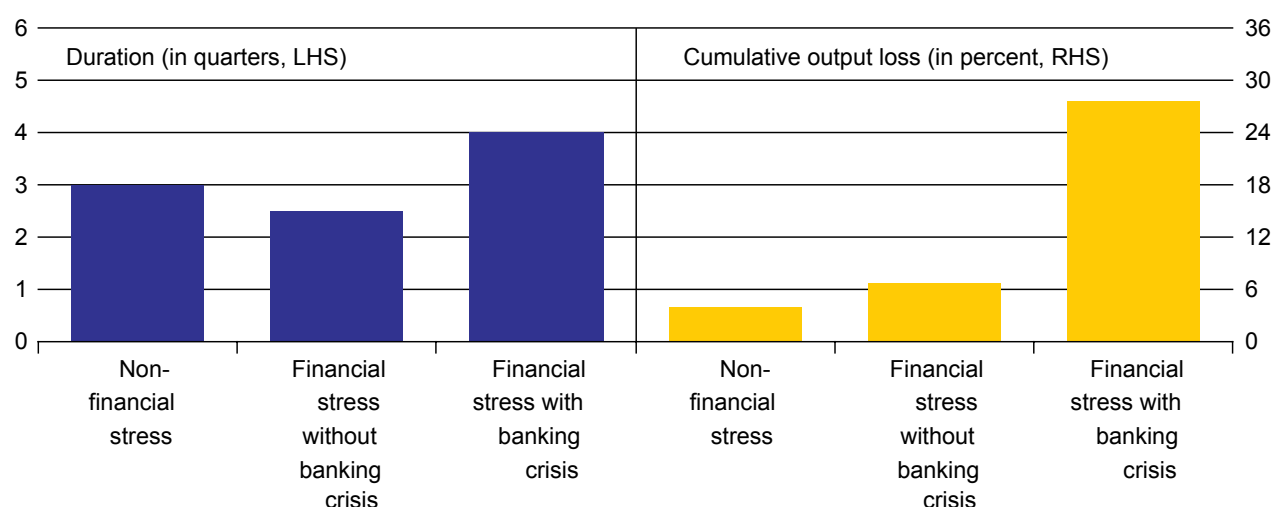
Quarterly data for 12 Asia-Pacific economies during

1980-2008 were being classified. Excluding the current recession, there were 31 recessions, of which:

- 16 were associated with financial stress in advanced economies;
- 7 were also associated with domestic banking crisis; and
- 8 were associated with export demand shocks.

### Asia: Past Recessions since 1980

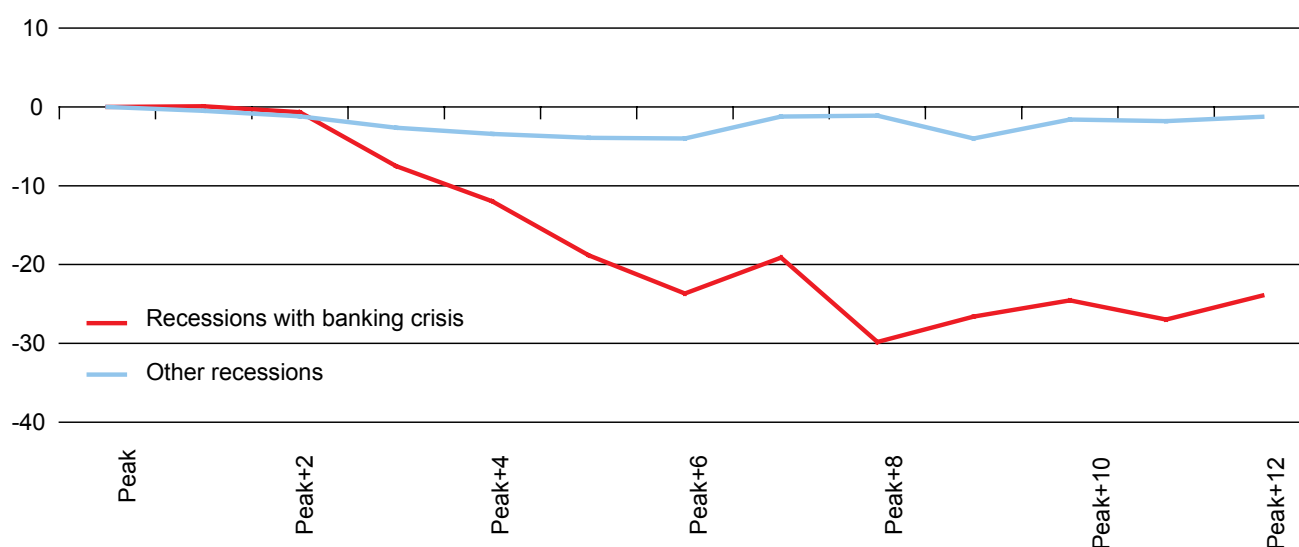
(Median)



Source: IMF staff estimates

### Asia: Credit to Private Sector during Past Recessions since 1980

(Median y/y change in percent; rebased at the peak of the recessions = 0)



Source: IMF staff estimates

Note: Numbers on horizontal axis refer to quarters

## Financial Stress Recessions

The findings show that financial stress recessions, particularly those associated with the banking crisis, have been very deep for Asian economies, partly because credit is impaired. Credit to private sector ends up

contracting more significantly than those in a typical recession.

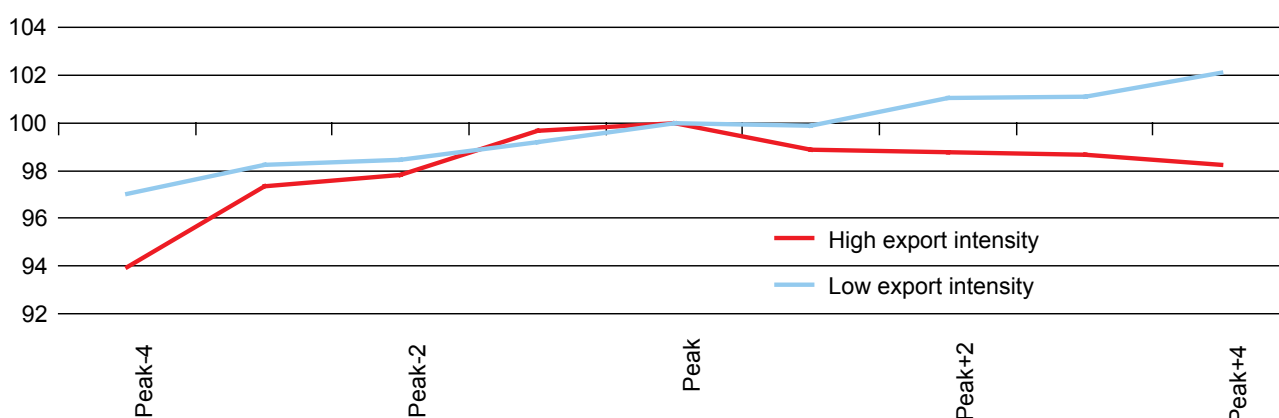
## Export Dependent Economies

Export dependent economies suffer deeper output declines in export-demand recessions because the transmission from

exports to domestic demand is stronger in these countries. The transmission from exports to domestic demand particularly with regard to investments was stronger for export-oriented economies. Business cycle fluctuations end up being investment cycles.

## Asia: Gross Domestic Product by Type of Export Activity during 2000-01 Recession<sup>1</sup>

(Median, rebased at peak of the recessions = 100)



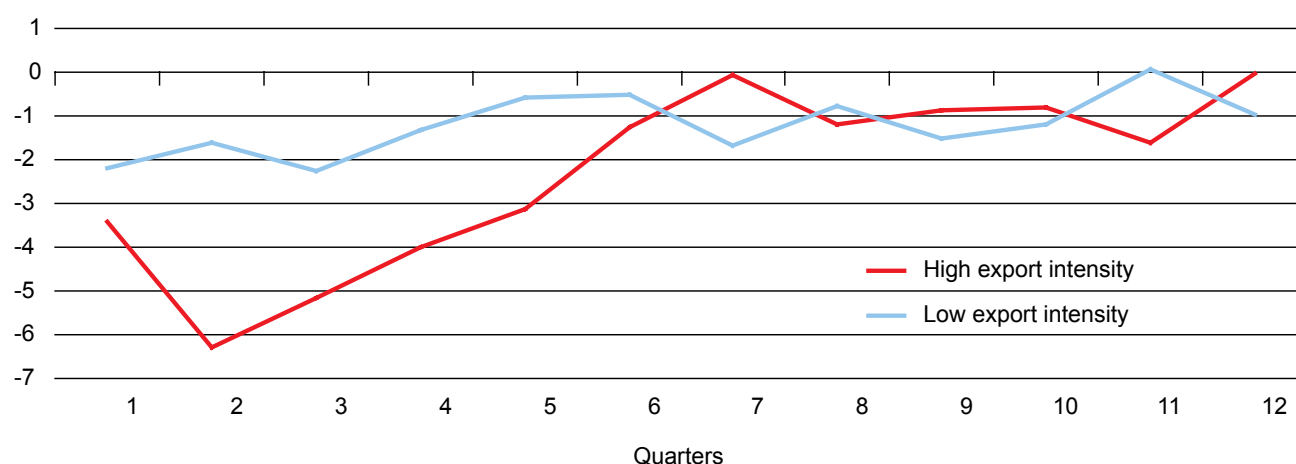
Source: IMF staff estimates

Note: Numbers on horizontal axis refer to quarters

<sup>1</sup>Includes countries (excluding China and India) not having recession in 2000-01

## Asia: Response of Real Gross Fixed Investment Growth to a 15 percentage Point Shock to Real Export Growth

(In percentage points)



Source: IMF staff estimates

### Asia's Typical Recovery

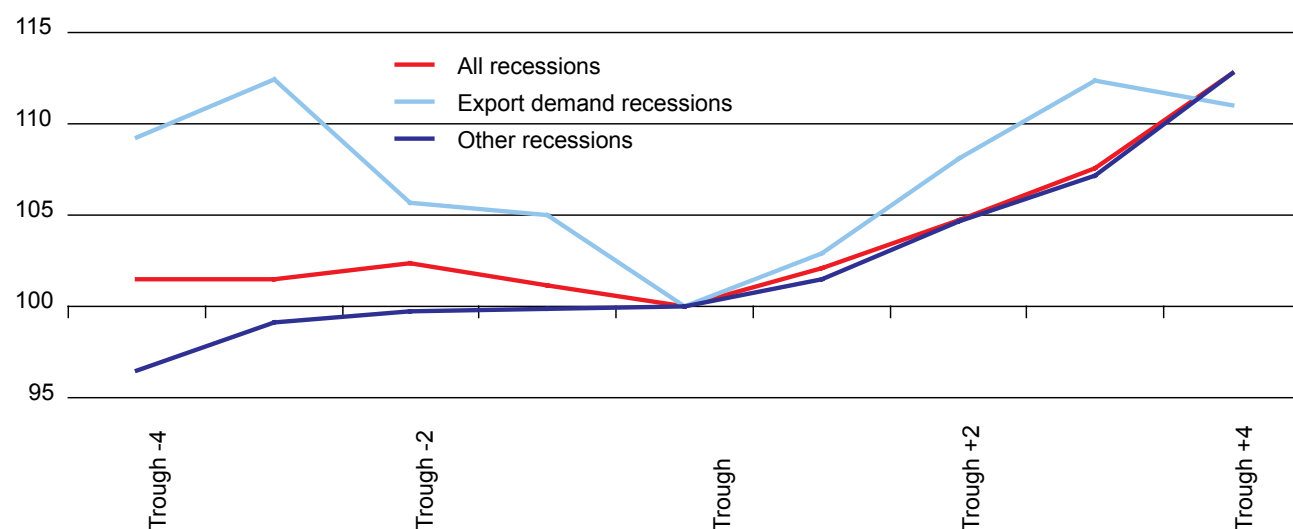
Findings show that exports have been the key engine to Asia's recoveries.

Findings show that for economies undergoing export shocks, investment has typically stayed relatively flat after the

start of the recession and only started recovering after two and half years.

### Asia: Exports during Past Recessions since 1980

(Median, rebased at trough of the recessions = 100)

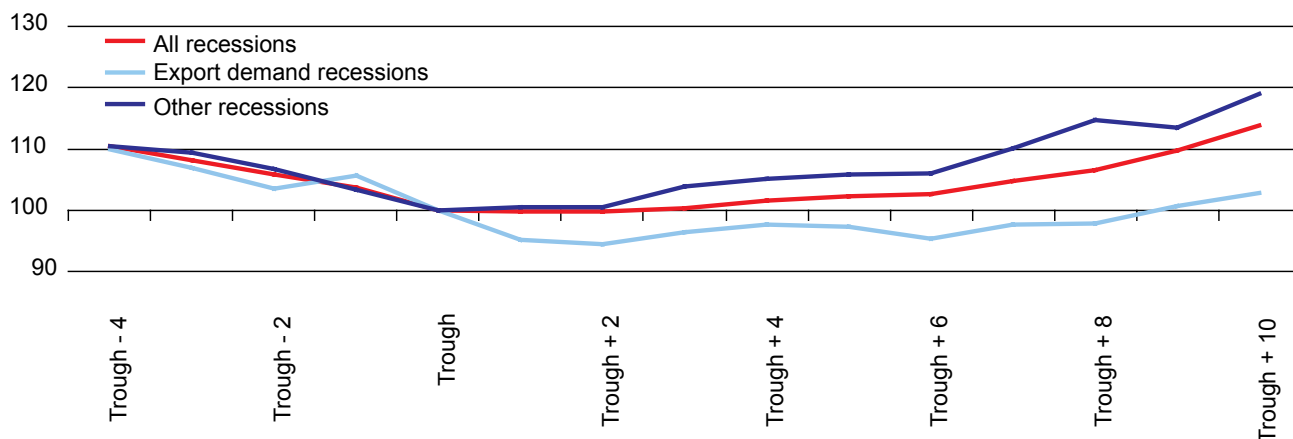


Source: IMF staff estimates

Note: Numbers on horizontal axis refer to quarters

### Asia: Gross Fixed Investment during Past Recessions since 1980

(Median, rebased at trough of the recessions = 100)



Source: IMF staff estimates

Note: Numbers on horizontal axis refer to quarters

## Key Policy Considerations

### Advanced Economies Recession Expected to be Long and Deep

The current recessions in advanced economies are likely to be long-lasting and severe with weak recoveries. This is due to the deleveraging that happens after a financial crisis, compounded by weak external demand due to global synchronisation of recession. Monetary and fiscal policies can help reduce the duration of the current recessions,

and strengthen economic recovery.

### Implications for Asia

Asia should strive at all costs to preserve the stability of core banking systems. Otherwise, history teaches us that this very deep recession could be longer, deeper, and with more permanent losses. A sustained recovery will need to await an improvement in the global economy. Even then, growth rate of Asian exports could be structurally lower than it was in the last few years.

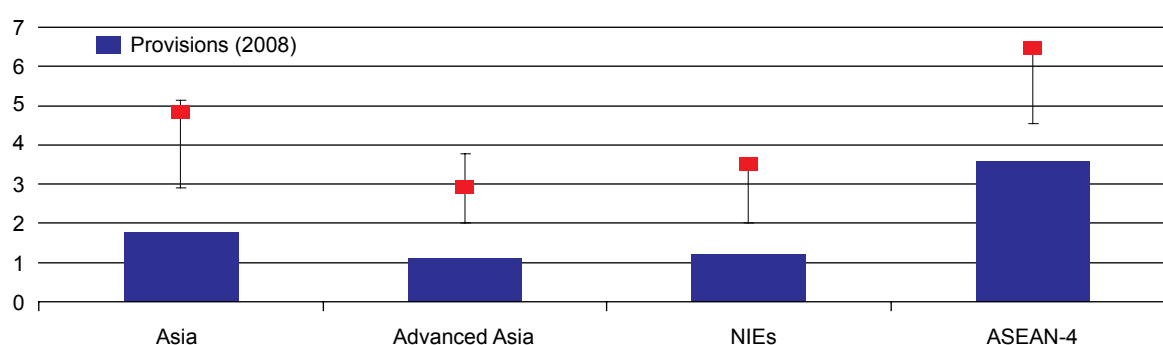
### Impact on Banking Sector Remains to be Seen

Presently the banking sector is relatively sound but going forward, corporate sector distress could feed into the banking sector. Hence, a strong macro response is key but not enough.

In the medium-term, growth in the advanced economies may be less consumption- and credit-driven. Hence, Asia will need structural reform to durably rebalance its economies towards the domestic sector if it wants to maintain high rates of growth.

## Banking Sector: Expected Losses from Corporate Sector Distress One Year Ahead<sup>1</sup>

(In percent of total banking sector loans)

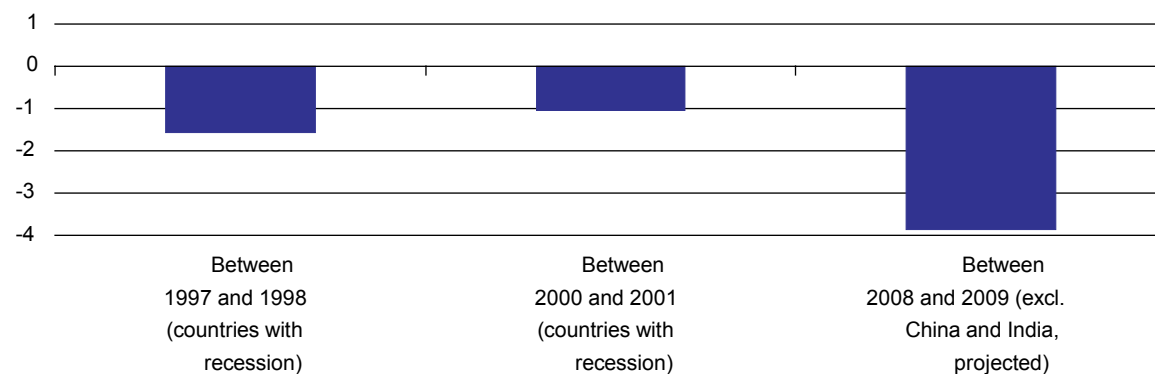


Source: IMF staff estimates

<sup>1</sup>Dots represent point estimates. Confidence intervals assume 80 percent and 40 percent recovery rate in case of default

## Asia: Change in Fiscal Balance in Selected Recessions

(Median, in percent of GDP)



Source: IMF, WEO database



## ASEAN AFTER THE ASEAN CHARTER: PRIORITIES AND PROSPECTS FOR A PEOPLE-CENTRED ASEAN

*The panelists discussed the need for an Asean Charter, how well the Charter has served its purpose in promoting a people-centered Asean, as well as the Charter's drawbacks. The panelists were HRH Prince Samdech Norodom Sirivudh, MP and Chairman of the Board of Directors, Cambodian Institute for Co-operation and Peace (CICP), Ms Natalia Soebagjo, Executive Director, Centre for the Study of Governance, University of Indonesia, Prof Herman Joseph Kraft, Executive Director, Institute for Strategic and Development Studies, Philippines and Muhammad Shafiee Kassim, acting Deputy Director of the Asean Department, Ministry of Foreign Affairs and Trade, Brunei. The session was chaired by Mr Peter Cozens, Director, Centre for Strategic Studies, Victoria University of Wellington, New Zealand. **Ahmad Ikram bin Abdullah**, former ISIS Fellow, reports.*

The idea of drafting an Asean Charter was first formally tabled at the 11th Asean Summit in 2005 in Kuala Lumpur. Two years later during the 13th Asean Summit in

Singapore, the Charter was signed and adopted.

One wonders how such an organisation like Asean could

operate for 40 years without a formal charter that defines its rules of conduct, dispute settlement mechanisms, and values and principles to which its members adhere.

But Asean has preferred to manage its affairs with a minimum of formality, with few legally binding arrangements, and with relatively weak regional institutions. For example, Asean's founding document was a two-page declaration.

On the other hand, the UN Charter came into force on October 24, 1945, the day the UN itself was established. It had 111 Articles, which were divided into 19 Chapters.

Nevertheless, what works well in one organisation, may not work well in another, said **Muhammad Shafiee Kassim**. Over most of Asean's existence, this loose and informal arrangement has served both the association and its members well.

Kassim further contended that the 'Asean Way' and the association's very existence have enabled Asean to keep the peace among its members, promote regional stability and play a constructive role in the world.

So why have the Charter then? Asean needed urgently, written rules of engagement, a single authoritative document that explicitly expressed how members should conduct themselves and how they should adhere to a common set of values and principles. According to



(From Left) Herman Joseph Kraft, Mohd Shafiee Kassim, Peter Cozens and Natalia Soebagjo

Kassim, Asean leaders felt that by having a Charter, it would, among others:

- Provide Asean with greater relevance as a credible, cohesive and economically competitive institution.
- Serve to provide an enhanced institutional framework and a legal personality to support the realisation of Asean's goals and objectives.
- Codify Asean norms, rules and objectives.
- Allow for more effective decision making and provide effective measures and dispute settlement mechanisms to ensure compliance and implementation.
- Allow the Secretary General and the Asean Secretariat to be given greater mandate and more resources.

The Asean Charter consists of 55 Articles segmented into 13 Chapters. Perhaps the most



*Mohd Shafie Kassim*

important point is the intention of Asean to create an Asean Community by 2015 that is politically cohesive, economically integrated and socially responsible.

**Natalia Soebagjo** noted that in this light, the Charter also aimed to promote a 'people-oriented Asean in which all sectors of society are encouraged to participate, and benefit from the process of Asean integration and community-building.'

Although the term 'people-oriented' was used in the Charter, the Eminent Persons Group (EPG) which was entrusted to come up with 'bold and visionary' recommendations for the Charter envisaged an Asean that went beyond 'people-oriented' to one that is 'centred' around the people.

According to Soebagjo, this meant that the peoples of Asean are actively engaged in the decision-making process as opposed to merely accepting decisions made by the Asean leaders, although the decisions do affect the people in a positive manner.

The 'people-centred' proponents argue that not only will active involvement of the people in the decision-making process bring commitment and a sense of belonging, it would eventually dismantle the present image of Asean as an elitist club, comprising exclusively of diplomats and government officials.



*Natalia Soebagjo*

Many feel that over the decades, Asean had evolved into a top-down, state-centred, and state-driven association, removed from the people.

The unfortunate thing is the Charter does not specify how Asean intends to realise its commitments to develop an Asean Community as well as to promote a 'people-oriented' Asean.

Professor Carolina Hernandez, the chair of the board of directors of the Institute for Strategic and Development Studies (ISDS) Philippines, argued that the Charter had a tone of despair, and failed to empower the Asean Community, because many of the key EPG recommendations were ignored by the High Level Task Force assigned to draft the Charter.

This is mainly due to Asean's strict interpretation of the principle of non-interference

and its affirmation of consensus-based decision making process.

The question then is, what is the way forward? The panelists generally agreed on the need for more Asean people-to-people interaction.

Soebagjo suggested an open border system where passports are not necessary, to encourage more cross border movement.

**Prince Samdech Norodom Sirivudh** suggested that each Asean member country create a sub-committee/sub-division in Parliament to promote Asean issues. He also suggested that the Charter be translated into Asean languages.

**Prof. Herman Joseph Kraft** said that civil society should take it up, if the Asean governments do not do anything.

This is perhaps an illustration of a prevalent feeling of frustration over the lack of substance in the Charter and



*Herman Joseph Kraft*

the slow initiative from Asean in response to human rights issues such as that which occurred in Myanmar.

The Assembly of the Peoples of Asean (APA), the Asean People's Forum-Asean Civil Society Conference (APF-ACSC), and The Solidarity for Asian People's Advocacy (SAPA) are some of the foras and networks of civil society organisations and NGOs that can be utilised for this cause.

It appeared as if the Asean Charter did not meet the expectations of many in the room. The perceived failure of governments to show commitment, as enshrined in the Charter, was also a bone of contention.

But it must be remembered that the Charter was just ratified two years ago and Asean community-building is a work in process. Corrective action can be made and weaknesses can still be amended.

Nevertheless mindsets need to change to reflect seriousness and commitment in implementing the Charter.

As Soebagjo summed up in her paper, whether it is people-oriented or people-centred, 'Asean will have no future if it ignores the aspirations of its own people who have become increasingly more assertive.'



*Prince Samdech Norodom Sirivudh*

## THE ENDANGERED EARTH – WHAT THE ASIA PACIFIC CAN DO ABOUT CLIMATE CHANGE

*At Concurrent Session Three of the Asia Pacific Roundtable, panelists Prof Dr Joy Jacqueline Pereira, Deputy Director of the Southeast Asian Disaster Prevention Research Institute (SEADPRI-UKM) of Universiti Kebangsaan Malaysia (National University of Malaysia), and Mr Simon Tay, Chairman of the Singapore Institute of International Affairs (SIIA), spoke on the topic of what the Asia Pacific countries can do about climate change and the endangered earth. The session was chaired by Dr Thomas S Wilkins of the Centre for International Security Studies, Faculty of Economics and Business of the University of Sydney, Australia. Senior ISIS Analyst, **Wan Portia Hamzah** reports.*

**Prof Dr Pereira** began with the definitions of the terms climate change, mitigation, adaptation, adaptive capacity and vulnerability, to foster a common understanding of the terminologies used. The definition for climate change under the United Nations Framework Convention on Climate Change (UNFCCC) is slightly different from that of the Intergovernmental Panel on Climate Change (IPCC).

Under UNFCCC, climate change includes only those changes which are attributable directly or indirectly to human/anthropogenic activity, and hence negotiations under the Convention will focus on addressing issues as a result of such activity. Under IPCC, climate change refers to any change in climate over time, whether due to natural variability or as a result of human/anthropogenic activity.

Pereira cautioned that the drivers of climate change such as changes in mean temperature and precipitation, increasing climate variability, and sea-level rise as well as coastal change will become more severe. According to the 2007 IPCC Report, from 1900 to 2000, temperature changes have already been observed in regions such as Asia, Australia and North America, to name a few. Projected global average temperature changes for the early and late 21st century, as well as average precipitation changes for late 21st century relative to the period 1980-1999 were also highlighted.

Many regions will be vulnerable, and impacts of climate change will be severe in some regions more than in others. Some projected impacts of climate change, listed by Prof Pereira, included increased

water stress, decreasing food productivity, coastline loss and increasing burden from diseases.

Climate change is also likely to increase the frequency and intensity of extreme weather events, which will bring disasters, especially to systems that lack the capacity to plan and respond to the hazards. The Asia Pacific region, already vulnerable to rising temperatures, varying precipitation patterns and rising sea levels, is projected to face extreme weather events, and to witness a rise in hydro meteorological disasters.

There is still a lot of uncertainty with regard to climate change. Pereira presented the Multiple Climate Hazards Map, sourced from the International Development Centre's Economy and Environment Programme for Southeast Asia (EEPSEA), 2009. The study of Southeast Asia on the map, which is part of a larger-scale study, illustrates



*Joy J Pereira*



the region's risk of exposure to climate hazards such as cyclones, floods, droughts, landslides, and the extent of the inundation zone due to the rise in sea levels – as well as the region's ability to adapt to such threats. According to Pereira, some of the most vulnerable areas were found to include Cambodia, the Mekong Delta, the northern part of the Philippines and cities like Jakarta. To avert disasters, governments should take measures and better manage adaptation options in order to reduce vulnerability in the region.

Negotiations on climate change under the Convention are filled with tensions. Concepts of common but differentiated responsibility for Greenhouse Gas (GHG) mitigation and precautionary approaches to adaptation are strongly voiced by developing countries or the Non-Annex I countries under the Convention. Historically, developing countries have recorded low emissions; it is the emission levels of the developed countries that have led to climate change. Pereira called for a balanced approach and the need to look at adaptation and co-benefits of mitigation for developing countries in the region.

Pereira also highlighted Malaysia's efforts in striving for low-carbon and resource-efficient development practices that will not deny the country the right to development, and improvements in the quality of life of the people. Lestari or the Institute of Environment and Development of UKM has mooted the concept of 'Climate Resilient' development, i.e. development that integrates response measures on physical and environmental changes and uncertainties.

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According to Tay, America will move, but will move too late for the Copenhagen meeting. For America to move, it will put in place trade measures such as a carbon price, which may lead to trade wars. On a positive note, Tay said climate change will present an opportunity for two of the largest emitters, the United States and China, to come together and discuss the issue. This was clearly indicated during Hilary Clinton's visit to Beijing in February 2009 when the issue of climate change was highlighted.

Tay pointed out that there are measures which can be carried out with existing technology for the financial benefit of the two countries. He also noted that the two countries are pumping stimulus packages into the economy and these can help to contribute to some meaningful involvement.

America can prompt China to act but other countries including those in the Asia Pacific region must act also. Interestingly, he said, India is reluctant to act, although India's world renowned institute, The Energy and Resources Institute (TERI) and its Director-General, Mr Pauchauri, who is also chairman of IPCC, have highlighted the negative impact of climate change on India. Tay did concede that India may act eventually.

Possible movement may come from Japan, which according to Tay, is a country well placed to be a key player. With its know-how, technology



(From Left) Simon Tay and Thomas S. Wilkins

and industrial practices, as well as investments in many countries including China, Japan can make fundamental differences in terms of energy efficiency and green technology. However, Japan has yet to initiate such moves within the timescale required.

Moving to Asean, industrial emissions have been relatively low but emissions from forest fires and land use changes have reportedly been high. Asean's ecosystems are vulnerable to climate change, and several other indirect impacts associated with climate change are projected to grow in scope and intensity. Asean is therefore under pressure to act, from within as well as from outside.

According to the 2009 Asian Development Bank Report, which is a study on four Asean countries -- Indonesia, Philippines, Thailand and Vietnam -- the mean cost of climate change for the four countries could be equivalent to

losing 6.7 per cent of combined gross domestic product (GDP) each year by 2100. The economic reason alone should trigger Asean governments to move. While adaptation is the region's priority, Asean should also make greater mitigation efforts.

Tay also pointed out that climate policy is unfortunately receiving limited attention in Asean which is not able to integrate and address the economic, energy, socio-cultural and security implications. Climate change is very much confined to the environmental ministry.

Tay concluded by saying Asean needs to avoid making mistakes, one of which would be heading for nuclear energy, an intention already declared by some Asean countries. Nuclear energy is touted to be clean energy but there are also other issues, such as safety and security, which must be given serious consideration, he said.

*...it was legitimate for developing countries to question carbon equity*

He urged everyone concerned to act, pointing out the opportunities available as he noted that even steps to seize the 'low hanging fruits' have not been taken. He summarised the geopolitical implications and the need for America to act failing which Asia will not act.

The session was then opened to the floor for discussion. Discussion focused on a number of issues, one of which was the speed at which climate change was unfolding, with many regions already experiencing its adverse impacts. Irrespective of what America or China would do, action was felt to be important. Dr James Boutilier, Asia-Pacific Advisor at Canada Maritime Forces Pacific said that although the depth of information provided was very much appreciated, recommendations to governments on climate change had to be succinct and direct.

Tay, in responding to Dr James Boutilier, acknowledged that climate change was not incremental. He also added that in the IPCC Report, the 2000 plus scientists had to agree to some common denominator and put climate change in perspective. Since the Fourth IPCC Report, subsequent studies have shown alarming results. Tay reiterated

that the West had the technology and the funds for adaptation to make the change.

In addition, Tay questioned the lifestyle of the West/developed countries. Per capita consumption of developed countries was such that it was legitimate for developing countries to question carbon equity. Tay added that while there are many who are willing to provide the funds, they are not speaking for their governments. There is little will from the governments of the West to fund what needs to be done in the developing countries.

Another commentator highlighted the need to look at adaptation rather than focusing on mitigation, which is not really moving. A Malaysian commentator pointed out the obstacles from governments, politicians and the business community and on the need to get the general public to push for change.

In response to the issue of adaptation, Pereira reiterated the benefits of adaptation and the co-benefits of mitigation for developing countries, as well as the need to mainstream or develop strategies to integrate climate and development actions. The deficiency in exploiting various 'win-win' options and co-benefits remains a serious barrier in many countries. Pereira also pointed out that different communities will have different needs but agreed that the

public should push for climate change and indicate what are the changes required.

In reply to a question, Tay pointed out that although Asean countries do have some action plans on the environment, unlike the European Union, Asean countries do not go to international meetings with a common position on climate change, and negotiate as Asean. This is also the case for other issues such as trade. According to Tay, for climate change, the Asean negotiators did get together at the Bonn meeting and they 'agreed not to agree.'

There are differences amongst Asean member countries.

For example, Brunei is a rich oil exporting country and Singapore is relatively rich with low emission levels but high per capita emission. In addition, Asean failed to have a common infrastructure such as a common energy grid and hence it does not make sense to negotiate for a common position. Tay added that Asean countries should have common perspectives and viewpoints and should move on towards a common negotiating position.

In wrapping up, Tay reiterated the reasons for moving towards energy efficiency, and commended Japan's energy efficiency efforts which he said should be emulated by China and other Southeast Asian countries. With regard to the often-cited

nuclear energy, he re-emphasised that the economic issue, not to mention the safety issue, should be reason enough to go for the 'low hanging fruits.' It is also the question of capacity as well as safety. In the case of China, while the country has the experience to go for nuclear energy, there is still potential for it to pursue energy efficiency.

Tay also pointed out that while Apec leaders have often raised the issue of energy efficiency, some of the reasons why energy efficiency is not taking off probably are the unavailability of facilities such as a technology clearing house, private sector incentives as well as operational standards for energy efficiency by governments. He concluded by saying that with the abundance of coal in the two energy-intensive countries – China and India – the need for cheaper, clean coal technology, and carbon sequestration, must be addressed.

Prof Pereira concluded by stressing the importance of access to technology as well as the security issues of climate change.

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## ENERGY SECURITY: CHALLENGES AND POLICY OPTIONS FOR THE ASIA PACIFIC REGION

*Energy security is imperative in light of present challenges, given the region's potential to propel world economic growth in the 21st century. The most important challenge is procurement of supplies which is impacted by rising energy prices and competition for energy resources. At the APR's fifth concurrent session, Associate Professor Dr Cheng Jian, Deputy Dean of East China Normal University, Mrs Khong Thi Binh, Deputy Director for Centre of Political and Security Studies in Hanoi, and Dr Pradeep Kumar Dadhich, Senior Fellow of The Energy and Resources Institute (TERI), New Delhi, deliberated on ways to address these challenges. Ms Clara Joewono, Deputy Chair of the Executive Board of Indonesia's Centre for Strategic and International Relations (CSIS) chaired the session. **Norhayati Mustapha**, Senior Analyst, ISIS Malaysia, reports.*

### Outlook of Asia Pacific Energy Security – A China Perspective

**Dr Cheng Jian** pointed to some realities facing the region's energy needs, namely unequal distribution of energy production

fields (largely in the Middle East), threat of piracy affecting maritime traffic and the transportation of hydrocarbons, and the control or monopoly exercised by multinational European and American energy companies.



(From Left) Khong Thi Binh, Pradeep Kumar Dadhich, Clara Joewono and Cheng Jian

Both oil supply and demand, he noted, had grown steadily through the decades, but this 'balance' had changed due to the rapid economic growth of emerging countries in the Asia Pacific region, such as China and India, as well as Indonesia, Malaysia and Vietnam.

With no huge energy reserves having been discovered since 1970s (including in the Middle East), and a demand that is likely to continue in the coming years, the current Asia-Pacific energy market has earned itself, according to Cheng, the metaphor of 'a supply too old, a demand too young'.

### Mitigating Measures to Address Energy Insecurity

Cheng pointed to a series of troubles beleaguering the Asia Pacific region, including tension over drilling rights in the East China Sea, and claims over uninhabited islands in the South China Sea.

To avoid potential conflicts, he proposed the following:

- i. Setting up a political and economic dialogue mechanism to resolve maritime disputes;
- ii. Increasing oil reserves to deal with emergencies; and
- iii. Constructing and strengthening the future energy market to acquire price-setting rights.

He also proposed a common energy market as a response

to the long-term supply threat posed by the phenomenon of 'resource nationalism', i.e. national governments' assertion of ownership rights over oil and gas reserves against the interests of international energy companies.

Asia Pacific consumers, he felt, would do well to deal with various energy producing countries, and to diversify supply from other regions such as Russia, Central Asia and Africa.

Cheng also called for a change in China's development paradigm and industrial pattern, recommending the nation to work on a reasonable consumption model, push sustainable development at home, and effectively communicate with producers and consumers.

This way, not only would the security dilemma be overcome but the negative influence of the so-called 'China threat' would be eliminated.

A short term goal for China, he concluded, would be to find solutions, with Japan, on the East China Sea dispute, and with Asean neighbours on the South China Sea squabbles, while the long term task for all Asia-Pacific rim countries would be

to build a common Asia Pacific energy market. All of this will take political wisdom, economic compromise and patience.

### **Energy Security – Perspective from India**

**Dr Dadhich** of TERI espoused India's definition of energy security, which hinged on the availability of energy to the entire population, irrespective of disruptions and price shocks and of consumers' ability to pay.

Based on the region's per capita total primary energy consumption and electricity consumption (both of which are relatively low, except for Malaysia's and Singapore's), Dadhich observed that primary, basic energy needs have to be met before economic growth and poverty alleviation can be achieved in the region. He cited income levels below US\$2 per day in most of South Asia, the Philippines, Laos and Cambodia.

On another note, as most of the countries in the Asean region depend on biomass for their daily energy needs, a close correlation is seen between income levels and access to modern fuels.

Other economic indicators like health, longevity, and education, are also linked to energy. At the same time, there is huge potential to reduce energy consumption with the existing technology in this region, so energy efficiency has a vital role to play in all energy-consuming sectors of the economy.

Net oil imports, Dadhich noted, are on an increasing trend, with the entire region's imports reaching around 80 per cent, with the attendant increase in carbon dioxide (CO<sub>2</sub>) emissions.

He concurred with Cheng on the region's dependence on imports from the Middle East. It was a situation, he believed, that would continue, rendering the region extremely vulnerable to supply disruptions and price volatility.

### **Alternative Energy Sources**

It was evident according to Dadhich that coal was not likely to meet the region's energy needs. The same applies to natural gas, which requires huge investments before it can become a primary source of energy for the country.

However, concerning non-fossil energy resources, hydro power appears to be an untapped potential; along with the 27 per cent uranium reserves in the region, India has about 300 million tonnes of thorium reserves yet to be exploited.

Nuclear energy has been assessed to be quite competitive compared with other technologies. As for biomass, the region is blessed with significant resources, with India's stockpile being particularly promising, based on district level studies.

The potential for wind energy is significant in terms of megawatts. In India the potential is over 60,000 megawatts on-

*...primary, basic  
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the region*





Pradeep Kumar Dadhich

shore, while offshore potential has yet to be realised.

Geothermal energy is available in China as well as Indonesia, and ocean energy, so far untapped in this region, offers potential as well. There is therefore a need to scale up renewable energy technologies.

In conclusion, Dadhich noted that the policy responses needed to address energy security may well converge with responses needed to address climate change.

## Challenges – A Vietnamese Viewpoint

**Mrs Khong** of Vietnam linked energy security to other (traditional) types of security, for example, maritime and military, and to sustainable development.

Selecting case studies from Vietnam and China as illustrations due to both countries' similar national energy strategies, she

identified possible conflicts that might confront regional countries by examining three major challenges.

Referring to the challenge of *internationalisation or diversification of energy supplies*, she contended that the region is facing not so much an insufficiency of energy resources as the lack of means to maintain the safety or security of energy resources.

In order to meet increased energy demands, countries in the region are being led by China in efforts to reach out to resource-rich countries in every corner of the world, such as Africa, Latin America, Central and Southeast Asia.

Energy insecurity is now perceived as the driving force in shaping state relations, as shown in China's efforts in building stable and strategic partnerships regionally or globally, with Vietnam doing the same but to a lesser extent.

China's foreign policy is driven by energy calculations, and despite close relations with Iran and Myanmar (countries of concern to the US), China has managed to avoid confrontation with the US.

The challenge of *continued exploration and exploitation of domestic primary energy resources* is exemplified by a mining project in Vietnam, with China's participation, which simultaneously illustrates the

nexus between energy security and sustainable development.

The project has generated heated discussions from scientists as well as policy-makers and members of the State Assembly, over its economic viability and environmental impact.

Another important concern was how to manage future relations between Chinese workers at the mine (3,000) and the local people (much less), amidst fears anti-Chinese sentiment may be triggered by the loss of jobs among locals.

Another significant challenge is being posed by regional efforts to *develop alternatives such as nuclear energy*.

The trend of some Asean members like Indonesia, Thailand and Vietnam pursuing a strategy for nuclear power, and proposing to build several nuclear plants to increase the share of nuclear energy in their respective energy mix has raised much concern at the regional level, not only over the possibility of a breakdown, but also over:

- i. Possible development of nuclear weapons,
- ii. Leakage of material/technology to terrorist groups, and more importantly,
- iii. The safety of nuclear plant operations in the future.

As Asean members have not had much experience with nuclear plants, regional co-operation on this can be

promoted in the framework of Asean Plus 3 (APT).

Korea and Japan have been very successful in using nuclear power and increasing the share of nuclear power in the energy mix, and can therefore share their experience in not only developing nuclear plants but also on energy conservation and energy saving.

## **Issues Emerging and Re-emerging**

### ***China's Recent Oil Diplomacy and Business Strategy***

China's strategy to buy, merge with, acquire or invest in some upstream or downstream company in the Middle East as well as in Kazakhstan or Venezuela was noted with interest.

China is said to be the second biggest oil consumer in the world. Its current growth is expected to lead to an increase in demand. As Europe and the US are seriously hurt by the global financial crisis, now would be a good opportunity for China to set its sights on the Middle East for its energy supply.

Cheng quoted a contract recently signed by Chinese and Russian oil companies.

Chinese and Russian governments, as well as companies from both sides that had been negotiating for a decade, finally signed a contract for a five-year oil pipeline, thanks in part to the economic crisis. Similar deals have been signed

with other countries and companies from Brazil, Venezuela, etc.

In response to a query on China's initiative to contribute to the sustainable development of the whole region, and not China alone, Cheng admitted that in the past, the tendency was mainly to think of one's own interests and massive domestic demands, etc.

This has resulted in Chinese oil firms losing out during bidding for large projects (in Russia and Central Asia) as factors like social responsibilities, local demands, and relations between oil companies and local governments were not taken into consideration.

Therefore, Cheng felt that Chinese and other Asian companies must learn from their Western counterparts because competition in this field is long-term, with new companies appearing in the international energy arena all the time.

### ***China-India and China-Vietnam Co-operation***

Notwithstanding competition between China and India (sharing of Himalayas, border tensions, hydro energy), in the long run, there is potential for co-operation in the future (for water etc).

Dadhich sees a greater need to co-operate. He testified that TERI on its part has had two meetings with several universities in China. The energy consumption trends of these two countries will significantly impact the global energy scene. Two or three joint

India-China studies are about to begin.

Regarding China-Vietnam relations, there is existing co-operation between the two countries on energy and trans-boundary electronic energy sharing. China already has existing trade (exports to Vietnam) and some progress has been achieved regarding maritime issues in the South China Sea, as per the Southeast Asia agreement on joint research on gas /oil on the continental shelf of the South China Sea.

According to Khong, projects like maritime joint research and energy exploration have been quite easy to develop, as done between Vietnam, China and the Philippines in 2005.

Other countries would be hard put to refuse China's initiative, she noted, but the problem would lie in the implementation and realisation of the initiative(s).



*Khong Thi Binh*

## Hydropower

The issue of climate change impacting hydropower was raised insofar as its likely effect on the availability of water, especially in the Indo-Gangetic plains.

To address this, studies on the impact of the Himalayas on the Indus and Ganges are being carried out, the results of which will be out in two years.

On a wider scale, as rivers flow between countries and nations, there is certainly a need for regional co-operation, rendering the Asia Pacific Roundtable an appropriate forum to address not only energy, but water security, in a holistic manner.

Trans-boundary impact brings to mind the Mekong, over the upper reaches of which China has reportedly built over the past years a very big dam, potentially affecting Vietnam which lies downstream.

The newly constructed Three Gorges Dam on the Yangtze poses a challenge for China in providing its citizens with affordable electricity. According to Cheng, China's largest

hydropower dam was built to serve half of its citizens, but until now only 30 per cent of the dam's capacity is being used, due to economic reasons.

Even as the potential for hydro power is acknowledged, whether in Southeast Asia, or South Asia, political considerations are brought into play.

For example, in Pakistan, the dam proposed for Kalabagh is still not implemented due to opposition from three out of four provinces. Furthermore, any discussion on energy security has to consider the distribution of benefits from income generated by hydro electricity.

## Resource Nationalism (RN)

Resource nationalism as faced by China arose from the desire of national governments to appropriately control and own their energy resources. At the same time, this phenomenon has been seen to make an appearance even at sub-national levels in countries like Pakistan and Iraq (i.e. Baluchistan and Kurdistan, respectively) where ownership of national energy resources has become a prominent issue.

Dadhich has observed an increasing trend towards resource nationalism among Asian countries which would have obvious impacts in availability of 'shared' resources in the future.

As we see more and more unwillingness to share resources unless utilities such as water can

be shared as well, RN is poised to be a new challenge for the region.

## Resolving the South China Sea Disputes

An urgent short-term task for the Chinese government is to find solutions, with Asean members, on the South China Sea (SCS) issue. Cheng expressed concern for the situation which appears to be deteriorating.

In China, the Internet is already host to voices of nationalism, although some military experts agree that a military clash with neighbours would be very dangerous.

Cheng said that fortunately the Chinese government is very conservative and conscious of this issue. Though many islands in the SCS over which China has claimed sovereignty are divided between countries in this region, the Chinese government has rapidly insisted on peaceful exploration in the area.

Presently, there is no danger or threat from China or any other side. Nevertheless the situation cannot be allowed to prevail another two decades.

## Biofuels

It was agreed that biofuels would be one of the key ways to address not only local energy security but also the transport sector. Taking bio-alcohol for example, Dadhich quoted India's policy of 10 per cent (eventual target 15-20 per

*Resource nationalism as faced by China arose from the desire of national governments to appropriately control and own their energy resources*

cent) petrol blended with alcohol from sugar cane (molasses).

As for second generation biofuels, because of the amount of biomass in the region, which is expected to 'do wonders', he foresees that our dependence on oil can be overcome. This is one area where co-operation in R & D would be relevant, and the appropriate technology interventions certainly doable, either through jatropha (a new, plant-based energy source) or otherwise.

### **Liquified Natural Gas (LNG)**

In a follow-up to claims that the necessary infrastructure for LNG is expensive, and that LNG resources in Indonesia, Malaysia, and Brunei may be insignificant in the coming years, Dadhich conceded that LNG use is still worth considering as a clean alternative source of energy.

To complement this, a Gas Grid should be developed so that LNG can be shared appropriately. A precautionary note was that in view of future trading of gas in the market, and ownership of LNG being mostly among private companies, basing a significant energy mix on LNG still appears as a risky proposition to Dadhich.

### **Co-operative Effort first, followed by Competition**

Dadhich suggested that the creation of infrastructure to develop the market be addressed at the regional level by a body

such as the Asian Development Bank (ADB), so as to come up with a plan to invest in a regional Gas Grid.

They would need to study the example of the European Grid, then figure out how it should be done in the Asian region, with much depending on technical planning, consumption quality and power generation.

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## THE NEXUS BETWEEN RELIGION, RADICALISM AND TERRORISM: HOW REAL?

*In a world where pockets of radicalism sometimes threaten the security of nations, the clash between religion and secularism occasionally paves the way to cultural, political and economic insecurities. The four who presented papers on this subject were Dr Abdul Mu'ti, of the Sekretaris Majelis Pendidikan Dasar dan Menengah Sekretariat PP Muhammadiyah, Indonesia, Bunn Nagara, Associate Editor, Star Publications (M) Bhd, Malaysia, Dr Natasha Hamilton-Hart, Associate Professor, Southeast Asian Studies Programme, National University of Singapore and Dr Bill Durodié, Senior Fellow and Co-ordinator, Homeland Defence Research Programme, Centre of Excellence for National Security, Nanyang Technological University, Singapore. **Tengku Iskandar**, Senior Analyst, ISIS Malaysia, reports.*

**Dr Abdul Mu'ti's** paper related radicalism or terrorism, where due, to adherents of different religions (including Christianity, Islam, Judaism, Hinduism, Buddhism), as well as to the non-religious, and as occurring in

many different parts of the world (Northern Ireland, Sri Lanka, Angola, Chile, Argentina, France, Germany, Italy, Japan, Puerto Rico, and a number of Muslim countries).



(From Left) Bunn Nagara, Bill Durodié, Satu Limaye, Natasha Hamilton-Hart and Abdul Mu'ti

Terrorism usually exists as part of radicalism but not all of radicalism leads to terrorism. Interpretation or misinterpretation of religious, as well as non-religious ideologies, may lead to terrorism. Radicals, even if they are generally against Western modernism, are not against modern technology.

The presenter, an Indonesian academic in Islamic Studies, provided concrete examples mainly from the Muslim world. For example, he says that among Muslims, the radicals are mainly young middle-class graduates and professionals trained in Western secular universities.

For the purpose of the presentation, he divided Muslims into two categories – the 'radicals' and the 'moderates'. He highlighted three main characteristics of the radical: puritanism (described as the principle of there being only one truth and that it comes only from God); literalism (understanding holy texts only literally); and the belief that Islam and Muslims are under threat, especially from the West.

Moderates are also said to have three main characteristics: belief that Islam is not the only religion of God (e.g. Christianity and Judaism are equally true); contextual understanding of holy texts (which may produce a very positive attitude towards Western modernity); Islam and Muslims are not under threat but involved in normal, open competition and nothing more.



With regard to Muslims, analysts believe that radicalism, which at times may produce terrorism, is associated with 'literal Salafism' (Salafism seeks to revive a practise of Islam that more closely resembles the religion during the time of the Prophet Muhammad) and 'political Salafism', but not 'reformist Salafism' (said to be positive towards Western modernity, inclusive, and anti-terrorism).

Cultural, political and economic insecurities may result in radicalism, which in turn may lead to terrorism. Secularism is the most popular enemy, often seen as a threat to traditional culture.

Muslims see numerous events in Europe, e.g. the French government ban on the jilbab (long, loose-fitting garment worn by Muslim women) as threatening to their identity. These have contributed to Muslim radicalism in Europe. Indigenous Europeans see the rising number of Muslims in Europe as a threat to their identity, thus contributing to the rise in European radicalism and Islamophobia.

Political insecurity can be seen in places like Palestine and South Thailand. Economic insecurity is felt by poor countries which believe that Western neo-colonialism is prolonging their poverty.

Radicalism is also said to result from the perceived failures of modern systems. For example, the perceived failure of capitalism

has provided the impetus to the development of Islamic economics, the perceived failure of democracy has provided the impetus to the development of Islamic political systems, and the perceived failure of the Western secular legal system has contributed to the demand for Islamic criminal law.

Radicalism and terrorism will continue to be a challenge to their enemies in future. The use of the military and force can only deal with their symptoms temporarily, while solutions can only come with justice and soft power.

**Dr Bill Durodie** opined that the link between religion, radicalism and terrorism was vague and presumptuous. Terrorism, he said, can be tackled by winning the hearts and minds of the majority through developing a narrative for society that gives it positive meaning and purpose.

Without such a narrative, the vacuum is filled by 'negative' narratives that may compel some people to resort to terrorism. Treating Muslims differently from others, as has been the practice since 9/11, not only exaggerates insignificant differences between Muslims and non-Muslims, but also blinds society to the need to develop the above-mentioned 'positive' narrative.

Such a proposal occurred to Durodie after it was observed that the emerging trait of contemporary terrorism is the



*Abdul Mu'ti*

absence of purpose (the example of the Mumbai attacks was cited). This new trait does not fit the usual theory of a resurgent Islamist global conspiracy being the root of global terrorism.

The point is further emphasised by a study that showed radicals today are not poor, poorly educated, political or pious. They are often born and educated in the West, or only became radicals during their time there. Not many come from the Middle-East. They are also well integrated into their local communities.

On their own initiative, they would search for a serious radical group to join. Durodie stated that they use Islam as a mere cover for their rejection of the Western modern world, their rebelliousness, or their identity politics.

**Bunn Nagara** defined 'terrorism' as being 'lethal violence directed against

innocents, whether deliberately or indiscriminately, to make a political point'.

Such a definition therefore does not restrict the range of actors perpetrating the 'terrorist' act to only individuals, or small or illegal groups; theoretically it may also include governments.

Nagara makes the differentiation between (a) religious scripture, (b) the different interpretations of the same religious scripture, (c) actions borne out from the various interpretations (such actions though may or may not follow the interpretations).

History show that no religion is immune to radicalism, or is exclusively prone to terrorism. Even the notion that one religion is more susceptible than others to radicalism or terrorism, is suspect.

The linking of Islam to radicalism and terrorism is only in the present time, because a small

minority of Muslims interpret or misinterpret the religion, and because of representations or misrepresentations of their acts by certain non-Muslims or other parties.

In addition, there is nothing in the mainstream or legitimate teaching of any religion that necessarily couples it with radicalism or terrorism.

If there is a nexus between religion and terrorism, whether or not through radicalism, the two separate dimensions of religion and politics must be distinguished.

Four sequential phases are necessary, and sufficient, to form the nexus, if any, between religion and terrorism. The four involve realities, portrayal, perceived realities, and espousal.

It is important to distinguish whether the struggle is religious or non-religious (labelled political, or other, struggles). The Abu Sayyaf Group and Al-Qaeda (both clearly terrorist groups) are given as examples to show their dubious links to religion even if they themselves claim such a link.

Agreeing with their 'Islamic' claim only bolsters their cause even if their claim is unfounded. Their Muslim identity is not enough to link their terrorist acts to Islam's teachings. A nexus, however, has been widely-supposed, and commonly regurgitated by the mainstream media, even when evidence exists to repudiate such suppositions.

Three religions are looked at to see how they fare with regards to radicalism and terrorism: Islam, Christianity and Judaism.

In terms of radicalism and terrorism, never in its history has Islam been as associated with them as much as now. Islam's image, reputation and achievements have been better in history. However, the current predicament is expected to be transitory, as it is for all other belief-systems, be they scientific theories, political ideologies or faith-based systems.

Christianity has also had its share of radicalism and terrorism in history, the highlight being the Crusades, when terrorist targets were mainly Muslims and Jews.

In addition there were Church-sanctioned pogroms, the Inquisition, and the violence that missionaries inflicted on natives during colonisation. The US-led attacks on Iraq and Afghanistan may arguably be an example of the nexus between Christianity and terrorism.

Judaism too has its share of radicalism and terrorism. The terrorism of Israel is manifested in Deir Yassin, Sabra, Shatilla, Jenin, and Gaza, if we look at recent history only.

Going further back, Israel had been established through the terrorism of Zionist parties like Irgun and Stern Gang. The Zionist Jewish leaders of Israel insist on equating Zionism with Judaism, saying that it is the very



Bunn Nagara

manifestation of Judaism, the religion.

It is also worth noting that Islam has no central religious authority, while Christianity and Judaism have. Therefore, terrorist acts committed by Muslims and claimed to be carried out in the name of Islam, are actions by those individuals and not by a central religious authority.

This may not be so in the case of Christianity or Judaism due to the existence of their central religious authorities, which are seen as the authoritative interpreters of the respective religions.

In this context, it is seen that Islamophobia, thought to have developed due to political Islam, is an exaggerated phenomenon. It is therefore crucial to segregate the political and the religious aspects if any, of radicalism or terrorism.

In all regions where Islam is expressed in a political and radical way (termed as 'radical political Islam') and seen by some parties as a security threat, problems in politics, economics, society, gender and other areas will be apparent.

The more serious these problems are, the more radical such politics are. Similar problems are also found in non-Muslim developing countries but these somehow are not seen as a religious problem. Many of the issues are universal and not restricted to Muslim societies

only. Several centuries ago such problems also occurred in Christian societies in the West.

A nexus can exist between Islam and terrorism only if both these conditions apply: (a) the terrorist act itself, being the means to an aim, is unequivocally prescribed by religious scripture, and (b) the aim of the terrorist act is also unequivocally prescribed by religious scripture. As such, the nexus between Islam and terrorism is not proven in the terrorist acts of the Abu Sayyaf Group or Al-Qaeda.

**Dr Natasha Hamilton-Hart** said that the almost exclusive focus on Islam and Muslims in the discourse on terrorism of recent years has turned minds away from extremist manifestations of other religions and how they may affect politics. Furthermore, many analyses relating terrorism to Islam or Muslims are said to be deeply flawed, alarmist, superficial, and implicitly anti-Islamic.

Her preliminary sketch of extremist Christian groups in Singapore seeks to throw light on a barely-researched area. However much more work is necessary before firm conclusions can be drawn.

Hamilton-Hart used the term 'extremism' to refer to either of the two extreme ends of belief, instead of 'radicalism' which usually refers to the extreme conservative end only and not to the other extreme liberal end.

*...many analyses relating terrorism to Islam or Muslims are said to be deeply flawed, alarmist, superficial, and implicitly anti-Islamic*

She looks at the potential links between religion, extremism and destabilisation (both the violent and non-violent forms of destabilisation). The concept of 'destabilisation' is used instead of 'terrorism' (which is one form of violent destabilisation but separate from non-violent forms of destabilisation).

### **Religion-Extremism-Destabilisation Linkage?**

One view asserts that religions per se are partially responsible for dangerous extremism due to their exclusivist claims to truth, and the positioning of their own faiths above reason and evidence.

Religion tends to be a central identity marker and therefore, a strong political mobiliser, aggravating conflicts with its opponents.

Another view, held by those studying Southeast Asia, is that religion is generally positive and that it is only the deviant few, some of whom have become extremists and destabilisers, who are wrong.

A third view is that extremism and destabilisation have causes that are political and not religious.

Religious rhetoric is used, however, to frame grievances and mobilise support because religion has been used as an identity marker.

A fourth view is that there may be certain extremist forms of a particular religion that are potentially destabilising in a non-violent way, exemplified by various assertive 'extremist' groups among Christians in Singapore.

It is also emphasised that not all religiously-inspired moves into the public sphere are potentially destabilising.

### **Muslim and Buddhist Terrorism, Christian Extremism**

Hamilton-Hart examined the above four views in the context of two situations below.

#### ***Southern Thailand***

In the three troubled Muslim-majority provinces in south Thailand, studies have shown that religion is not a significant factor in the terrorist acts committed by Malay Muslims and ethnic-Thai Buddhists.

This view is consonant with a wide range of studies on political violence, where it is evident that the most significant factors are not religious but (a) political legitimacy and (b) the nature of governance of the state.

There is also little evidence that the south Thai Muslims are serious in setting up a separate

state, but they have been calling for greater autonomy. The local Muslim religious practices are rooted in the Malay identity and traditions and are not Salafist.

#### ***Singapore***

This section is about groups among Christians in Singapore that would be regarded by others of a different persuasion (Christians or otherwise) as 'Christian extremists'. Such groups are assertive and seek to expand their influence and beliefs throughout Singapore, and ultimately, Southeast Asia.

The first major public scrutiny on Christian extremists in Singapore in recent years was in April 2009. The issue was the premeditated, but short-lived, takeover (through infiltration) of the Executive Council of the NGO 'Aware' by conservative and evangelical Christian extremists.

The takeover had alarmed non-Christians as well as some Christians in multiracial and multiethnic Singapore. Strong public opposition was expressed against the takeover move. The majority position was that religion and politics must be kept separate.

In this case, the government however was in agreement with the position of the extremists that the heterosexual stable family should be the norm in Singapore as opposed to Aware's traditional stand that homosexuality and heterosexuality should be given equal standing.

The episode caused people to look closely at extremist Evangelical and Pentecostal Christian groups in Singapore that could have possible links to US and other foreign extremist evangelical groups. Some of these groups have declared that their aim is to influence or transform Singapore and to spread their beliefs.

It is noteworthy that in a 2000 census, it was found that 44 per cent of Singapore's parliamentarians are Christians while for the population the figure was 14 per cent. In addition, Christianity is the fastest growing religion in the country, mainly in the Evangelical and Pentecostal churches.

Also, many of the elite schools in Singapore are mission schools that are under evangelical leadership; evangelical groups are also active in universities. There are also many examples of senior people in civil service or business associated with evangelical Christianity.

However the activities of evangelicals or extremist Christians need not be destabilising when some of their values are agreeable to Singapore's secular, mainstream conservative Asian values, or when they balance out extremist liberal groups.

There have been few open challenges to-date to the government position that religion must be kept out of politics. Given the government's extensive range





Natasha Hamilton-Hart

of laws and other instruments, significant conflicts are unlikely.

However the assertiveness, and growth, of extremist groups among Christians will reduce the secularism in public space and inter-religious tolerance.

There are three traits among some extremist Christians in Singapore that are potentially destabilising to society:

- i. Declaring the intent to expand their numbers and transform society, and using Singapore to convert people in Southeast Asia and even the rest of Asia. However their actual proselytising in multi-religious Singapore has been more cautious than their rhetoric due to the legal framework that exists to ensure religious harmony.

But outside Singapore there may be fewer restrictions on proselytisation — The Christianisation

of non-Christian peoples was cited as a major factor radicalising those arrested on terrorism charges in Indonesia in April 2009, although no link with the evangelists in Singapore was mentioned.

- ii. Their reasoning is based totally and purely on their own evangelical religious perspective, ruling out debate with secular groups or other religious groups. They have been involved in a number of morality issues but have no specific political agenda as yet. Their ways of thinking, however, if they were to spread, may have profound political implications.
- iii. They have a tendency towards what others view as intolerance, non-compromise and militant rhetoric. They sometimes describe opposing views as those of 'the enemy' or 'satanic'. The militant rhetoric however is not communicated to others outside their grouping. There are also links to militant Christian groups in the US, which habitually use the language of warfare and religious armies.

action or programmes, extremist religious groups may have commonalities with other religious groups or secular groups, even if their basis is purely their own theology.

### Final Remarks

Merely calling for tolerance and the keeping of religion out of politics will not be effective in restraining the growth of extremist religious tendencies. However, in terms of public



## SECURITY IMPLICATIONS OF CLIMATE CHANGE – A LOOMING CONCERN FOR THE ASIA PACIFIC

*The Intergovernmental Panel on Climate Change (IPCC) listed in its latest report major impacts of climate change in Asia as being increased flood risks, decline in freshwater availability, more severe droughts, heat waves and storms, coastal erosion and saltwater intrusion, forest fires, declining productivity from agriculture and aquaculture, deaths and disease. Yet, amidst widespread speculation that these changes will amplify presumed drivers of domestic and international insecurity, such as resource scarcity, water disputes, food crises, rural to urban and international migration and proliferation of nuclear capability, there remains little evidence or systematic analysis of the likelihood of these problems arising in any given region, and almost no consideration given to strategies for preventing them escalating into security crises. The Security Council for Security Co-operation in the Asia Pacific (CSCAP)'s Study Group on Security Implications of Climate Change (SICC) was born out of this need. **Norhayati Mustapha**, Senior Analyst, ISIS Malaysia, reports.*

through ISIS Malaysia, hosted the Second meeting of the SG on SICC.

Aiming to arrive at recommendations tailored for governments in the region to help them avoid security crises arising from climate change, the Study Group was tasked to (i) determine ways in which climate change may have serious security implications for the region; and (ii) propose specific measures that can be taken to avoid or manage the risks climate change poses to security in the region.

The outcome of this endeavour would be a Memorandum that will briefly highlight the implications of climate change for security in the Asia-Pacific region, and adaptive

### Mission of the CSCAP Study Group on SICC

In recognition of the IPCC's findings, CSCAP sought to examine and develop consensus on the nature and magnitude of risks that climate change poses to security in the Asia Pacific region; and after conferring with its members from as early as mid 2008, established the Study Group (SG) on SICC. Led by CSCAP Australia, CSCAP Philippines and CSCAP Malaysia, the SG convened its first meeting on 15-16 February, 2009 in Manila. On 30 – 31 May 2009, CSCAP Malaysia,



(From Left) Wan Portia Hamzah, Hsu King Bee, the late Chow Kok Kee

responses that can be taken by governments in the region and the ASEAN Regional Forum (ARF).

## Who's Who at the 2nd Meeting of the CSCAP SG on SICC

Chaired by CSCAP Malaysia, CSCAP Australia and CSCAP Philippines, the KL meeting held 30-31 May, 2009 gathered representatives and observers from member committees, viz. Australia, Brunei, Cambodia, China, Chinese Taipei, India, Japan, Korea, Malaysia, Philippines and the US /Pacific Forum, with major role players being as follows:

*Dato' Hsu King Bee, ISIS Malaysia*

*(the late) Chow Kok Kee, formerly of Meteorological Services Dept, Malaysia*

*Dr Jon Barnett, Melbourne University, Australia*

*John Buckley, Australian National University, Australia*

*Norazlianah Ibrahim, Ministry of Foreign Affairs and Trade, Brunei*

*Vannarith Chheang, Cambodian Institute for Co-operation and Peace, Cambodia*

*Yi Yang, China Institute of International Studies, China*

*Prof. Chung-Young Chang, Fo Guang University, Chinese Taipei*

*Dr Yi-Yuan Su, Hsing Kuo University of Management, Chinese Taipei*

*Dr Pradeep Kumar Dadhich, TERI, New Delhi, India*

*Prof. Lee Jae-Sung, Korea University, Republic of Korea*

*Dr Ko Nomura, Nagoya University, Japan*

*Prof Herman Joseph Kraft, ISDS, Philippines*

*Nur Azha Putra Abdul Azim, Nanyang Tech University, Singapore*

*Surashete Boontinand, Ministry of Foreign Affairs, Thailand*

*Carl Baker, Pacific Forum CSIS, U.S.*

*Prof Dr Joy Pereira, SEADPRI-UKM, Malaysia*

*Dr Ahmad Hezri Adnan, UKM Lestari, Malaysia*

*Wan Portia Hamzah, ISIS Malaysia*

*Norhayati Mustapha, ISIS Malaysia*

## Risks of Climate Change and Areas Impacted

The first meeting in Manila had developed a framework

identifying broad security problems in the region that would result from climate change over multiple time periods. SG members could use the framework to consult relevant experts within their countries. In the run-up to the Second meeting, a Survey Questionnaire on Security Risk Assessment was distributed within member countries, the findings of which were to be presented at the later meeting.

In Kuala Lumpur, the Study Group members were briefed by the host country on the Brainstorming on Security Impacts of Climate Change, held earlier on 1 April, after which they were presented with feedback from member countries on responses to the Survey, as well as findings of consultations conducted in-country.

On the basis that security here referred to a situation in which there would be an increased risk of significant social, economic or political instability in one or more countries in the region, the SG agreed that the three main drivers of climate security risks were changes in mean temperature and precipitation, increasing climate variability, and coastal change, with sea level rise. The six major areas impacted by climate change which would present security risks were energy availability, food access, hydro meteorological disasters, population displacement, public health, and water stress.

## **Policy Options and Measures – Elements of a Draft Memorandum**

The SG recommended responses in five main areas by regional, sub-regional, national and local levels in order to manage climate security risks, namely policy and institutional strengthening, public awareness, education and training, monitoring, research and technology, regional and international co-operation, and finance and resource mobilisation. At the conclusion of the SG meeting, a draft Memorandum outlining the main thrusts of the discussions was endorsed. The Executive Summary of the Memorandum goes as follows:

‘Climate change poses significant security risks to the Asia-Pacific region, including: decreasing energy access, decreasing access to food, increased frequency and intensity of hydro meteorological disasters, population displacement, increased public health problems, and water stress. The kinds of responses that could help manage these climate security risks include: policy and institutional strengthening, regional and international co-operation, monitoring, research and technology, public awareness, education and training, and finance and resource mobilisation. It would be prudent to begin implementing these responses in the near term, recognising that there is uncertainty about the timing of these security risks, some of

which will emerge gradually, and some of which may be rapid in onset and catastrophic in nature.’

Following the acceptance of the Draft Memorandum by the Study Group, the document has been circulated among CSCAP Member Countries for comments, and for eventual consideration of the Asean Regional Forum through the CSCAP process.

## THE 31<sup>st</sup> STEERING COMMITTEE MEETING OF THE COUNCIL FOR SECURITY CO-OPERATION IN THE ASIA PACIFIC

*The Steering Committee (SC) of the Council for Security Co-operation in the Asia Pacific (CSCAP) held its 31st meeting on June 1, 2009 in Kuala Lumpur. The SC, co-chaired by Tan Sri Mohamed Jawhar Hassan of CSCAP Malaysia and Mr Ralph A Cossa of USCSCAP, met to receive reports from its Study Groups and from the CSCAP Secretariat which is based at ISIS Malaysia. ISIS Researcher **H W Woo** reports.*

CSCAP is a Track II (non-official) process that is aimed at formulating recommendations to the Asean Regional Forum (ARF). Having been established in 1993, CSCAP now counts among its members some of the most prominent think-tanks in the Asia Pacific.

The meeting provided an opportunity for CSCAP

Member Committees to make the last round of preparations for convening the 7th CSCAP General Conference, held in Jakarta on 16-18 November 2009. The General Conference featured a keynote address by Indonesia's newly installed Minister for Foreign Affairs, Dr Marty Natalegawa. Discussion sessions were held on a wide range of issues, including

the security implications of the global financial crisis, the regional security architecture, disarmament and arms control, and Southeast Asia's political challenges.

The Steering Committee was also briefed on the CSCAP Review Report produced by the CSCAP Review Committee (RC). Led by CSCAP Co-Chairs, the RC was established during the 29th CSCAP Steering Committee Meeting, to review the activities of CSCAP and formulate proposals to enhance the organisation's effectiveness in promoting dialogue on regional security issues. The Review Report, among others, indicated the need for CSCAP to tailor its work to fit the needs of the ARF. The report also suggested that CSCAP should aim to stay ahead of the curve by providing early warning on future threats and security concerns.

In addition, the report urged CSCAP Study Groups to convene more back-to-back meetings with those of the ARF. It also suggested that CSCAP should cultivate links with other processes such as the Pacific Economic Co-operation Council (PECC), the East Asia Summit (EAS) and the Asia-Pacific Economic Co-operation (Apec), especially given that these processes frequently dealt with security-related subjects such as climate change and terrorism. The report further recommended that CSCAP established links with the Asean Defence Ministers' Meeting (ADMM), which now includes defence ministers from outside Asean within the framework of the 'ADMM Plus.'



(From Left) Ralph A. Cossa and Tan Sri Mohamed Jawhar Hassan



The Review Report also noted that as part of efforts to improve the profile of CSCAP, the Co-Chairs would write a yearly assessment of the security situation in the region for publishing in the CSCAP Regional Security Outlook (CRSO). The CRSO is an annual CSCAP publication surveying the most pressing contemporary security issues in the Asia Pacific.

As with previous meetings, the Steering Committee considered reports from CSCAP's Study Groups. As the primary mechanism for CSCAP's efforts in shaping the debate on regional security issues, the Study Groups conduct in-depth research on some of the most critical security issues in the Asia Pacific. As of June 2009, there were seven CSCAP Study Groups. They were in the following areas:

1. Countering the Proliferation of Weapons of Mass Destruction (WMD) in the Asia Pacific

Co-Chairs: US CSCAP and CSCAP Vietnam

2. Significance of the Existence of Regional Transnational Organised Crime Hubs to the Governments of the Asia Pacific Region

Co-Chairs: AusCSCAP, CSCAP New Zealand, CSCAP Philippines and CSCAP Thailand

4. Multilateral Security Governance in Northeast Asia/North Pacific

Co-Chairs: CSCAP China, CSCAP Japan and CSCAP Korea.

4. Security Implications of Climate Change

Co-Chairs: AusCSCAP, CSCAP Malaysia and CSCAP Philippines.

5. Naval Enhancement in the Asia Pacific

Co-Chairs: CSCAP China, CSCAP India and CSCAP Japan.

6. Safety and Security of Offshore Oil and Gas Installations

Co-Chairs: AusCSCAP, CSCAP Singapore and CSCAP Vietnam.

7. Responsibility to Protect (R2P)

Co-Chairs: AusCSCAP, CSCAP Canada, CSCAP Indonesia and CSCAP Philippines.

The Steering Committee was informed that the ninth meeting of the Study Group on Countering the Proliferation of Weapons of Mass Destruction (WMD) had been held in Beijing on June 28-30, 2009, back-to-back with the inaugural ARF Inter-Sessional Meeting (ISM) on Non-Proliferation and Disarmament. This Study Group is in the process of finalising a handbook on 'Countering the Proliferation of WMD in the Asia Pacific'. At its next meeting, the Study Group will develop specific proposals to be included in its WMD Action

Plan. The Co-Chairs of this Study Group also reported that the fifth meeting of the Export Controls Experts Group (XCXG), a subgroup of this Study Group, would be convened in Vietnam at the end of the year. The Steering Committee also noted that the XCXG's CSCAP Memorandum on 'Guidelines for Managing Trade of Strategic Goods' had been included as an agenda item for an ARF ISM.

The meeting was also informed that the CSCAP Study Group on Regional Transnational Crime Hubs had convened its first meeting in Bangkok from April 30 - May 2, 2009. The aim of this Study Group was to develop a predictive model for typologies of emerging crimes that impact on regional security. The second stage of the Study Group's work, prior to a meeting in Phuket on 10-11 October 2009, would be to develop a survey mechanism to aid in the identification of crime hubs.

The meeting also heard that the Study Group on Multilateral Security Governance in Northeast Asia/North Pacific had convened its first meeting in Tokyo, Japan, on Feb 25-26, 2009. The Study Group explored several institutional designs for future security multilateralism in Northeast Asia, based on the ongoing Six-Party Talks process.

Although facing difficulties, the Six-Party Talks were viewed by the Study Group as having the potential to evolve into a strong regional mechanism for



dealing with the North Korean nuclear issue, as well as a variety of security and economic-related issues in both the Korean Peninsula as well as Northeast Asia as a whole. As the situation in Northeast Asia was in flux, the Steering Committee gave the Co-Chairs of this Study Group the liberty to decide whether it should temporarily suspend its activities until the current situation stabilised.

The Steering Committee was then informed that the Study Group on the Security Implications of Climate Change (SICC), following its second meeting in Kuala Lumpur on May 30-31, 2009, had completed its work, and had come up with three tangible results.

First, following the conclusion of its first meeting in Manila on Feb 15-16, 2009, Herman J Kraft of CSCAP Philippines was invited to make a presentation to the ARF Seminar on the International Security Implications of Climate-Related Events and Trends, held in Phnom Penh, on March 19-20, 2009. There, he presented the framework developed and utilised by the Study Group.

Following that presentation, the EU Working Group, charged with making a regional assessment of human security and climate change, indicated its interest in attending the Study Group's meeting in Kuala Lumpur. However, it was eventually unable to do so. Nevertheless, they presented a draft copy of their assessment to the Study



*(From Left) Tan Seng Chye, Ho Shu Huang and Surashete Boontinand*

Group. Finally, the Study Group completed a draft Memorandum for the consideration of the Member Committees of CSCAP.

In its report, the CSCAP Study Group on Naval Enhancement in the Asia Pacific informed the Steering Committee that its third meeting would be held in March 2010, possibly back-to-back with an ARF Intersessional Support Group (ISG) meeting. The Study Group will develop policy recommendations on three issues.

The first will be on transparency issues, including political intent, operational transparency, notification of information, etc. The second issue will be conflict-prevention mechanisms at sea. The third issue would be on navies, ocean governance, and management. This Study Group intends to publish an interim report, before providing its substantive recommendations to the ARF.

Adding to its list of issues under consideration, the CSCAP

Steering Committee approved the establishment of a Study Group on the Responsibility to Protect. The principle of R2P had been unanimously adopted by the United Nations 2005 World Summit and reaffirmed unanimously by the UNSC in 2006. The Study Group will examine the issues surrounding the implementation of this principle along with the implications for the actors involved, including the ARF.

Between March 2010 and February 2011, the Study Group will hold three meetings. The establishment of the R2P Study Group continued a recent trend in CSCAP to consider issues that cut across multiple policy domains such as climate change and energy security.

The Steering Committee meeting concluded with a unanimous decision to elect Carolina Hernandez of CSCAP Philippines as the Asean CSCAP Co-Chair for the term 2009-2011.

## THE INAUGURAL MEETING OF CSCAP MALAYSIA, 2009

*The Malaysian Member Committee of the Council for Security Cooperation in the Asia Pacific (CSCAP Malaysia) held its inaugural meeting at ISIS Malaysia on April 13, 2009. CSCAP Malaysia's current membership of 32 includes some of the country's most renowned individuals who hail from the academia, the media, and the government, and participating in their individual capacities. Tan Sri Mohamed Jawhar Hassan, Chairman and then CEO of ISIS Malaysia, is the Chair of CSCAP Malaysia. Tan Sri Ahmad Fuzi Abdul Razak, Ambassador-at-Large in the Ministry of Foreign Affairs, and Dato' Dr Mahani Zainal Abidin, then Director-General and currently Chief Executive of ISIS Malaysia, serve as Deputy Chairs. ISIS Researcher H W Woo reports.*

The discussions were held in accordance with the Chatham House Rule. For the benefit of the new members, the meeting began with a briefing on CSCAP by Datuk Hsu King Bee, then an Assistant Director-General at ISIS Malaysia and currently Malaysia's Permanent Representative to Asean.

### Political Situation in Thailand

The meeting next discussed the political crisis that was unfolding in Thailand and its implications for the region. A participant said that the crisis stemmed from a divergence of interests between the country's political elites and the wider Thai society. Another argued that such chasms were also evident in some other Southeast Asian countries. It was noted that while the political crisis in Thailand had deep structural causes, the present series of

events had started with the overthrowing of the government led by Thaksin Shinawatra in a coup d'état in September 2006. Speculation that such moves had had the support of certain sections of the Thai political elite was also discussed.

The meeting also examined the impact of the cancellation of the Asean Summit in Pattaya on April 11, 2009 following anti-government protests by supporters of former Prime Minister Thaksin. Some participants felt that it had been ill advised for the Summit to have been convened in the first place, given that there had been ample warning that the protestors were out to disrupt the event. Others asserted that Thailand, as the current Chair of Asean, had been obliged under the organisation's charter to hold the Summit. A participant argued that the current instability

in Thailand could give certain Southeast Asian countries reason to pause in their moves towards liberalising their political systems and thus complicate the process of democratisation in the region. Finally, it was argued that the events in Thailand could exacerbate the already tense relations between Bangkok and Phnom Penh.

### Implications of the Power Shift in the Asia Pacific

The discussion on the political situation in Thailand was followed by a presentation by Tan Sri Jawhar titled 'The Security Implications of the Power Shift in the Asia Pacific'. At the outset of his presentation, Jawhar noted that much of the current discussion of a power shift was based on the assumption that current trends in the diffusion of power would continue. He highlighted three forms of power shifts. The first is the gradual shift of power from government to non-governmental institutions. This entails the growing influence of non-governmental organisations and private corporations, with implications for democracy and the people's ability to influence decision-making.

This shift from the public to the private sector is best exemplified by the giant retailer Wal-Mart, which has a larger annual turnover than the economies of three quarters of the world's countries. Another

example is the capacity of hedge funds to impact the political and economic well being of far flung countries. Jawhar also cited the growing influence of the online media, which empowered individuals and organisations within and across borders.

The second form of shift in global power, according to Jawhar, was reflected in the gradual transfer of economic power from the West to the East, the net effect of which is the rise of Asia, leading to the discourse on an 'Asian Century'. Jawhar however argued that a closer look at the facts indicated that Asia more likely would become just one of several centres of economic power in the emerging scenario. Economically, the world would therefore become multipolar.

Based on current trends in the growth of GDPs, China is expected to become the largest economy in the world by 2050, followed by the US, India, the European Union and regional economic powers such as Japan, Brazil and Russia. In Southeast Asia, Indonesia's strategic weight would probably grow in tandem with its economy. Jawhar noted that the current

economic crisis was hastening the shift in economic power away from the US and Europe to China and the rest of Asia. However, China is not expected to have the economic and strategic leverage that was wielded by the US after the Second World War, primarily due to the diffusion of economic power to multiple poles.

China's per capita wealth would also be well behind that of the US. Jawhar also pointed out that the rise of China and India was more accurately characterised as a resurgence, given that these countries had been the dominant global economic powers for many centuries until the late 19th century.

The third shift in global power takes place in the military domain. Jawhar asserted that there are three predominant trends in the global shift in military power. The first is that the US would remain the world's dominant military power in the near to medium term. Four factors underpin this status quo:

- The overwhelming superiority of the US military, which spends far more than other countries, including China;
- An explicit policy of maintaining its hegemony, which was stated in its Quadrennial Defence Reviews;
- Sufficient technological and economic resources to stay ahead; and
- Possession of a worldwide (including in the Asia Pacific region), network of defence

alliances which will be difficult to be countered by China.

The second trend is China's gradual emergence as a regional military power in the Asia Pacific, possibly with a global maritime reach, in the long term. Japan is also expected to become a significant regional military power. On its own, however, Japan would not be able to balance China. The possibility of a militarily potent unified Korea cannot be discounted, along with a more militarily assertive India. Indonesia, whose economy has resumed its growth, albeit from a low base, should also not be overlooked as a potential regional military power in the future.

The third trend is the declining relevance of conventional military power in the 21st century. This is rooted in the growing use of unconventional warfare such as terrorism, the increasing economic interdependence between states, and the empowerment of the media, which enables the broadcasting of military actions, some of which have the potential to arouse anti-war sentiments.

Jawhar said that one of the major implications of the power shift in the Asia Pacific was the growth in military expenditure of newly affluent states such as China. He asserted that this was a normal occurrence as affluent states generally spend more on defence expenditure, noting that the US has the world's largest military expenditure. China's

*...the empowerment of the media enables the broadcasting of military actions, some of which have the potential to arouse anti-war sentiments*

*...a more assertive China may leverage on its growing strength and become less sensitive to the sentiments of and agreements with other states. . .*

growing expenditure in defence was however causing serious concern among countries such as Japan, Vietnam, the US and Australia.

Another major implication of the power shift, according to Jawhar, was the resurgence of major power rivalry around the world. The political aspect of this rivalry could be seen from the diplomatic reach of China, with the establishment of the Shanghai Co-operation Organisation, and its forays into Southeast Asia and further afield into Africa. This, in turn, has led to reaction from other states such as Japan to counter China's growing influence. This rivalry has also had an impact on the structure of multilateral forums, as demonstrated in the debate on the Asean Plus Three and the East Asia Summit.

The military aspect of the rivalry has seen the strengthening and expansion of US alliances, along with growing military assistance to states in the region. The US, for example, has encouraged Japan to loosen its constitutional restraints on the use of force. The US has also

signed a civilian nuclear deal with India, although the latter is not a signatory to the Nuclear Non-Proliferation Treaty. China, possibly in response to the US-India nuclear deal, has concluded a similar agreement with Pakistan.

Jawhar then discussed the implications of the power shift for Malaysia. Not all the impacts are negative. For example, benign competition among the major powers, such as the one between China and Japan in Southeast Asia, may well result in assistance for capacity building, especially in the technical and educational fields. Nevertheless, he noted that the growing rivalry had several negative implications.

He cautioned that Malaysia should remain alert to the potential for a more assertive China, which may leverage on its growing strength and become less sensitive to the sentiments of and agreements with other states, particularly in the case of territorial disputes in the South China Sea. He noted that Asean and the Asean Regional Forum (ARF) had thus far been unable to do much in terms of confidence and security building measures to ameliorate the growing major-power rivalry.

The discussion following the presentation was wide-ranging. Among the main points that were made were the following:

- It was pointed out that although the US would remain the leading military

power in the foreseeable future, other states such as China have been developing asymmetric capabilities in areas such as cyber warfare.

- A participant stated that the challenge to the reserve-currency status of the US dollar could be seen as foreshadowing the decline of the US. The participant asserted that one of the factors behind the maintenance of US global hegemony was the strength of the US dollar. The global economic crisis, the participant said, had led to concerns that China would stop its purchases of securities in that currency, thus eroding the reserve status of the US dollar and weakening US hegemony.
- The meeting also discussed the waning confidence in the Washington Consensus model of economic development, which emphasises privatisation and the deregulation of the economy.
- The importance of finding modalities to sustain the relevance of Asean and related institutions such as Asean Plus Three was highlighted. Three points were made in this regard. The first was that Asean needed to strengthen its capacity and cohesion in order to become more capable and credible. Next, Asean must be able to share stewardship, as done in ARF Intersessional

Support Groups where Asean members co-chaired meetings with non-Asean members and finally, meetings could be held outside Asean.

- Another point made was that Malaysia should not rely solely on Asean; the formation of partnerships with like-minded countries in other regions should not be ruled out. In relation to this, it was highlighted that the Asean Charter does not prevent its members from joining other organisations but their action must not impinge on the interests of Asean. Malaysia's neutrality was based on proactive engagement and not disengagement, seeking friendship with all countries and not taking sides, and eschewing exclusive regional arrangements such as the Arc of Democracies promoted by certain sections of the political elite in the United States.
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## BOOK REVIEW

### *THE NEW SILK ROAD: HOW A RISING ARAB WORLD IS TURNING AWAY FROM THE WEST AND REDISCOVERING CHINA*

Dr Ben Simpfendorfer  
Palgrave Macmillan  
2009

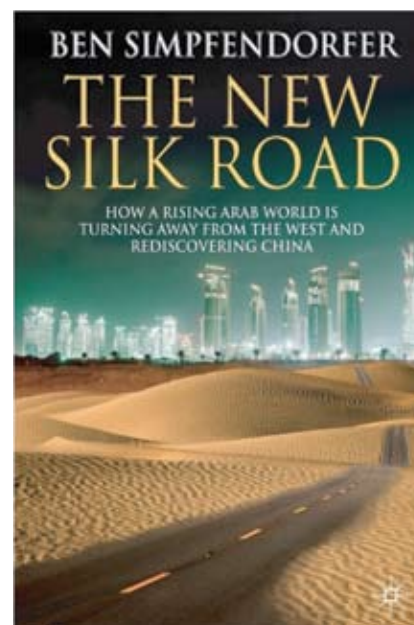
In the past, the Silk Road referred to several routes connecting Southern Europe through the Middle East and onwards to China. Journeys through the 'old' Silk Road could be treacherous and long, as chronicled by Marco Polo, who took a year to travel from the West to the East. Silk from the Far East (China) was an important commodity traded along this route to fulfil the demand from European and Middle Eastern consumers. However with increasing maritime trade, the importance of the 'old' Silk Road as the bloodline of intra-continental trade ceased.

The main hypothesis of Dr Ben Simpfendorfer's book, *The New Silk Road: How a Rising Arab World is Turning Away from the West and Rediscovering China*, is that a rekindling of the relationship between the Middle East and China is taking place, with some of the traits from the 'old' Silk Road remaining intact. With his experience of living in Beijing, Beirut, Damascus and Hong Kong, and his ability to converse in Arabic and Chinese, he managed

to capture the dynamics of trade and its spillovers between the two regions.

The main traits of the 'old' Silk Road that are evident in the 'new' Silk Road are that i) it is driven by the dynamics of individuals, ii) trade still takes precedence over other purposes while the basket of goods has grown over time and iii) cultural exchanges and acceptance between the two cultures.

But what separates the 'new' Silk Road from the 'old' is its involvement in the effort of global rebalancing, and reducing the unipolarity of the United States and its influence in the Middle East and the developing world. At the same time, instead of both Middle East and China catering to the demands of Western consumers and markets as during the 'old' Silk Road, the 'new' Silk Road is driven by the thirst of China for Middle Eastern oil and the Middle East's increasing demand for Chinese products. The dominance of the United States and Western Europe in the region are expected to wane in this century and a sign of that happening is seen in the first wave of individual traders



between China and the Middle East, looking for better economic prospects.

The book is littered with anecdotes and opinions given by individuals like journalists, translators, small traders, government officials and even taxi drivers, who all agree that the foundation stone for the 'new' silk road has been set.

The year 2001 was an important year for both China and the Middle East. With China's entry into the WTO, the world discovered a country where factories could churn out almost anything for export, with a huge consumer market yet to be tapped. On the other hand, traders from the Middle East who sourced their products from the United States and Europe found that travel restrictions as a result of September 11, affected their livelihoods.

When the first wave of Arab traders began to go to China in 2001, Chinese provincial governments made efforts to attract more investors and to ultimately bring prosperity to their provinces. The city of Yiwu, located near Shanghai and Wenzhou, claims to be the world's largest wholesale market for consumer goods. Small traders around the world are drawn to the exhibition hall in Yiwu that contains 18,000 stalls, selling more than 320,000 products. Business done in Yiwu is also facilitated by the willingness of traders to pass through financial institutions, and intermediaries who act as middle men.

Yiwu is significant not only as a place where Arab traders get their supplies, it is also a place where cultural exchanges take place between Arabs and Chinese and where mosques, Islamic schools and halal restaurants exist. Fuelling the transactions is an army of Arabic-speaking Chinese translators.

The 'thread' of business not only runs from the Middle East to China, but under the 'new' Silk Road, more and more Chinese traders have started to make their way to the Middle East, ranging from door-to-door salesmen and dealers of electronic Qurans to operators of Chinese exhibition halls.

While oil remains an important commodity in the 'new' Silk Road equation, it involves different players in the Middle East, namely, Saudi

Arabia, Oman, Yemen and Iraq. And while China has been trying to diversify sources of its oil supplies, the Middle East remains its biggest supplier. The Chinese government's role in the formation of the 'new' Silk Road can be seen in oil-related issues. It has, pragmatically, tried not to disturb US influence in the Middle East, and at the same time, to maintain a non-interference policy in Middle Eastern domestic affairs.

The book shows that, on the ground, the pieces of the puzzle are moving towards a Chinese-oriented world. China on the

*The book shows that, on the ground, the pieces of the puzzle are moving towards a Chinese-oriented world*

other hand has set into motion its soft power. The Chinese government has set an example with development practices that provide feasible economic models for developing countries, winning their hearts with its cultural exchanges and its products.

No doubt questions will be raised as Chinese influence will change how things are done in the developing world, such as for example, in the Middle East. Inflows of ideas from China will include mainstreaming of women into the economy, while inflows of goods from China will eventually add to the unemployment

numbers in a region where double-digit rates are not rare. Meanwhile, we can look to Dr Simpfendorfer's book for the upside of the global rebalancing process through the 'new' Silk Road.

*Reviewed by Nor Izzatina Abdul Aziz, Researcher at ISIS Malaysia*

# ISIS calendar

**International Affairs Forum  
Eliminating Nuclear Threats  
Dr Gareth Evans**

8 April 2010

**Asean Economic Integration: Driven by  
Markets or Mandarins  
Dr Hal Hill**

30 April 2010

**2nd India- Malaysia Strategic Dialogue**

27-29 January 2010

**International Affairs Forum  
The High Value-High Wage Economy:  
Role of Labour Market Policies in  
Singapore by Shandre Thangavelu**

15 January 2010

**International Affairs Forum  
Romania and the European Union  
after the Lisbon Treaty (by invitation only)  
HE Doru Costea**

11 March 2010

**International Affairs Forum  
Exploring a Desirable Regional  
Framework for East Asia: EAFTA, CEPEA,  
APEC or TPP? (by invitation only)  
Prof Shujiro Urata**

10 March 2010

**International Affairs Forum  
Global Crisis: Can China's Growth  
Compensate for Sluggish Recovery in the  
US and Europe?  
Dr Dan Steinbock**

25 February 2010





**Institute of Strategic and International Studies (ISIS) Malaysia**

No. 1, Persiaran Sultan Salahudin  
P.O Box 12424, 50778 Kuala Lumpur,  
Malaysia

Tel: +603 2693 9366

Fax: +603 2691 5435

Email: [info@isis.org.my](mailto:info@isis.org.my)

Website: [www.isis.org.my](http://www.isis.org.my)