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U.S. FOREIGN POLICY IN SOUTHEAST ASIA: THE IMPERATIVE OF INSTITUTIONS

BY ERIK MARTINEZ KUHONTA

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In the years between the fall of the Berlin Wall and the events of 9/11, U.S. foreign policy was distinguished by a forceful democratic vision. The Clinton administration made it very clear that democracy was to be the fulcrum of its geopolitical compass. In the current struggle against terrorism, the administration of President George W. Bush has similarly placed democracy at the center of its foreign policy agenda. While U.S. foreign policy under Bush differs markedly from that under the Clinton administration, there is an unmistakable overlap in the importance of democracy as a means and end for global peace.

The faith placed in democracy by U.S. foreign policymakers may have served as more than a moral guidepost during the perplexing post-Cold War years, but its persistence in an age marked by transnational terrorism would appear to be a reflexive gesture rather than a well-conceived strategic plan. The Bush administration's foreign policy espouses democracy in grandiose terms, but in practice, it also pursues military strength as a key instrument in its policy arsenal. In the Philippines, for example, the American response to terrorism has had a heavy military component, which is somewhat at odds with the rhetorical emphasis placed on the Philippines' achievements as a fellow democratic country. Military power and democratic rhetoric are thus the two pillars of the grand strategy of the most powerful democratic country in the world. Yet both emphases overlook a central factor in contemporary geopolitics: the problem of weak states.

Since the end of the bipolar world, weak states have slowly become the most pressing dilemma in international politics. Terrorism reinforced this urgency in a most decisive way. Afghanistan's war-torn lands served as training grounds for Al-Qaeda, clearly indicating how a failed state can provide cover for terrorist operations. In Southeast Asia, the three most devastating attacks have come in Indonesia, a state that has recently seen its governing capacities falter. The Bali bombing in October 2002, the Jakarta bombing of the J.W. Marriott Hotel in August 2003, and the September 2004 attack on the Australian Embassy in Jakarta highlighted the vulnerability to terrorism of this wide-flung archipelago. In the southern Philippines, the inability of the government to establish its authority over its far-most islands has given room for Abu Sayyaf to prey upon local citizens and tourists.

The U.S. grand strategy combining democratic rhetoric with military capacity is too narrowly conceived, particularly in a region like Southeast Asia, where democratic regimes, institutional capacity, and military coherence may not necessarily go hand in hand. There are three main drawbacks to such a strategy. First, it fails to correctly identify and engage the key issue of international security today – that of weak institutions and state structures. While terrorism and rogue states are undeniable threats to global peace and security, it is important to identify the roots of such phenomena. Most often, these roots can be traced to weak states and decaying institutions.

Second, the concurrent pursuit of military capacity and democratic advancement in the developing world may be important in the struggle against terrorism, but such a policy goal faces practical difficulties on the

ground. In many fragile democratic countries military strength is necessary to ensure law and order, yet the military is often just as much an active contributor to instability. Focusing on the military as a force for order and as a platform for counter-terrorism without *first* forcing significant internal reform risks undermining human rights and democracy, and in the process, fomenting greater instability.

Third, the advocacy of democracy as an end in itself and as a means to ensure stability and the defeat of terrorism comes up against certain harsh realities in the developing world. It is sometimes the case that illiberal regimes are more effective than democratic ones in combating terrorism. Precisely because of several draconian institutions, such as the Internal Security Act, illiberal regimes such as Malaysia and Singapore are better equipped to ensnare transnational terrorists than their democratic and institutionally weaker neighbors, Indonesia and the Philippines.

Instead of advocating military capacity and democratic progress, United States foreign policy would be better served by focusing on the weakness of institutions in the developing world.

Instead of advocating military capacity and democratic progress, United States foreign policy would be better served by focusing on the weakness of institutions in the developing world. I define institutions here as organizations and rational procedures in state and society. This should be the foundation for the long-term security interests of the United States. By committing resources to systemic institution-building – bureaucratic infrastructure (e.g., advanced computerized databases), administrative education, effective revenue generation, legal training, local governance, grassroots development – the goal of eradicating terrorism in the developing world is more likely to be achieved. An emphasis on institution-building equips the state with more effective means to monitor and prevent terrorist activities in the short-term, and, in the long-term, reduces the potential attraction of terrorist forces for local groups.

Institution-building is a long-term process that requires a multi-faceted approach, complex strategic thinking, and a grounded understanding of the historical bases of particular countries' contemporary dilemmas. It is not an obvious candidate for guiding foreign policy, partly because of its broad, sweeping nature. Furthermore, unlike the push for democracy, institution-building lacks a compelling normative drive as well as an ideology – such as liberalism – to sustain it.

Nevertheless, there is a growing tide of researchers and policy analysts who are pinpointing institutions or state structures as fundamental priorities for United States foreign policy.[1] Notable in this literature is the recent report by the Commission on Weak States and National Security, entitled *On the Brink: Weak States and US National Security*. Sponsored by the Center for Global Development in Washington, D.C., the report advances broad strategic goals as well as specific policy recommendations for guiding U.S. foreign policy.

On the Brink makes a simple but powerful argument. Weak states are characterized by developmental failure in the broadest sense, but especially in terms of the lack of "stable, accountable institutions that can meet the needs of their citizens." Of the 70 or so low-income countries, most have at least one of the following three problems: they fail to exert authority over their territory; they are unable to meet the basic needs of their citizens; and they fail to provide legitimacy through effective, transparent governance. Brittle states can then serve as the breeding ground for terrorist groups, making it imperative for the United States to address these institutional weaknesses.[2]

Given the distinct nature and urgency of international security today, it is critical for policy-makers to shift their analytical lenses appropriately.[3] Building a democratic nation and strengthening military capacity are important goals, but where priorities have to be set, growing evidence and scholarly analysis point sharply to state structures, and social and political institutions more generally, as crucial to the problems of the contemporary international system.

Democracy as the Foundation of U.S. Grand Strategy

The White House's *National Security Strategy* (NSS, 2002) provides the guidepost for current U.S. foreign policy.[4] The NSS is most notable for championing democracy as the central concern of foreign policy. The document stresses the importance of building a coalition of allies and friends united by common values, and in particular by an emphasis on political and economic freedom. The report further asserts that U.S. bilateral alliances with key countries – Britain, Australia, Japan, South Korea, Thailand and the Philippines – are based upon the sharing of a common respect and adherence to democratic values. Even China is acknowledged to be moving in the right direction because of its embracing of economic freedom.

The Bush administration has gone to great lengths to reinforce the goals of the NSS. In his State of the Union Address in January 2003, President Bush stressed the moral significance of democracy: "The liberty we prize is not America's gift to the world, it is God's gift to humanity."[5] In a widely-quoted speech to the National Endowment for Democracy, Bush laid out most forcefully what the *New York Times* has termed his "global democracy policy":

> "The establishment of a free Iraq at the heart of the Middle East will be a watershed event in the global demo cratic revolution. Sixty years of Western nations excus ing and accommodating the lack of freedom in the Middle East did nothing to make us safe – because in the long run, stability cannot be purchased at the expense of liberty. As long as the Middle East remains a place where freedom does not flourish, it will remain a place of stag nation, resentment, and violence ready for export. And with the spread of weapons that can bring catastrophic harm to our country and to our friends, it would be reck less to accept the status quo. Therefore, the United States has adopted a new policy, a forward strategy of freedom in the Middle East. This strategy requires the same per sistence and energy and idealism we have shown be

fore. And it will yield the same results. As in Europe, as in Asia, as in every region of the world, the advance of freedom leads to peace."[6]

While the concern with democracy in the NSS is overwhelming, the report also makes reference to the danger of weak states: "America is now threatened less by conquering states than we are by failing ones."[7] The report, however, fails to elaborate on the danger of weak states, subsuming this distinct problem under the need for economic and political freedom. It notes, for example, that the benighted region of sub-Saharan Africa, where many weak states persist, will progress only when it embraces ideals of freedom.[8] Throughout the report there are efforts to elaborate the need for alliance-building, military strengthening, regional cooperation, deterrence of weapons of mass destruction, expansion of free markets, and economic development. But there is no effort to address directly the need for strengthening state structures and institutions.

While other policy goals, notably strengthening military capacities, are crucial, it is evident that the Bush administration has made democracy and freedom the masthead of its grand strategy.[9] Arguing for the preeminence of freedom over other political ideals, Thomas Donnelly, a resident fellow at the American Enterprise Institute, buttresses the administration's view, commenting that "If we must have instability, let us have instability of greater liberty... The challenge now is to weave a fabric of international order, one that emphasizes the political rights of individuals, not merely the rights of states."[10] Richard Haass, director of the Policy Planning Staff of the State Department, uses the "democratic peace" thesis – the idea that democracies do not wage war against each other – as evidence that democracy building is good for the Muslim world.[11]

Haass and others, however, fail to realize that the argument of the democratic peace is based on inter-state conflict, rather than on intra-state conflict. This distinction is important because intra-state conflict is the source of most civil strife today. The claim of the democratic peace thesis is that democratic states will be less likely to wage war against each other because they share common ideals and because of the restraining nature of their institutions.[12] While this claim is highly debated in international relations theory, it becomes a moot point when addressing conflicts that occur primarily within sovereign borders. For the democratic peace thesis to work there has to be some perception by one democratic government that its democratic counterpart will operate under similar procedures and institutions. In intra-state conflicts these perceptions cannot hold, since the warring parties are not governments, but either a government versus a rebel party, or warring ethnic factions. This does not mean that democracy is irrelevant in tempering intra-state conflict, but advocating the democratic peace thesis as the policy solution to today's global conflicts is analytically erroneous.

Military Buildup in Southeast Asia

While democracy may have served as the rhetorical masthead of American foreign policy, in practice military force has been just as instrumental to U.S. security interests. This has been evident in the nature of the meetings between the White House and leaders of four major Southeast Asian nations that took place from late 2001 to 2002. President Megawati Sukarnoputri of Indonesia was the first to visit the White House in September 2001, followed by President Gloria Macapagal-Arroyo of the Philippines in November 2001 (she was also granted a rare "state visit" in May 2003), Prime Minister Thaksin Shinawatra of Thailand in December 2001, and most notably, the former Malaysian pariah, Mahathir Mohamad in May 2002. Singaporean Prime Minister Goh Chok Tong also visited the White House in May 2003. In contrast to the Clinton administration, President Bush has exerted considerable effort to reach out to the leaders of key Southeast Asian countries.

These summits have led to important agreements in the war against terrorism. The Philippines has benefited most from these closer links. In January 2002, 600 U.S. troops (later boosted to 1,200 through civil action programs) were sent to the southern island of Basilan to act as military advisers for the Philippine military's Southern Command. This was known as the Balikatan ("shoulder-to-shoulder") exercise and was only moderately successful, since the terrorist group Abu Sayyaf has not been fully eliminated. The exercise, however, was able to upgrade the combat capability of the tactical maneuver force and the Southern Command's Integrated Territorial Defense System. The Balikatan exercise officially ended on July 31, 2002, when most of the U.S. troops left Basilan.[13] Currently, the U.S. continues to work towards improving "critical tactical mobility platforms" in the Philippines, in the event of major military operations in the region.

The benefits of closer links with the United States have been significant. They have focused mainly on military assistance, but have also included economic aid. The Philippines has received substantial amounts of excess U.S. military equipment and has become the world's third largest recipient of U.S. International Military Education and Training (IMET) funding.[14] In 2002, the Philippine government saw its military aid increase ten-fold to $19 million under the U.S. foreign military financing program.[15] After Arroyo's state visit in May 2003, the U.S. administration pledged $85 million in military and economic aid for equipment and training of the Philippine armed forces, for new bilateral development assistance for Mindanao, and for specific military needs in the war on terror.[16]

In October 2003, prior to President Bush's visit to Manila, the Philippines was designated a "major non-NATO ally". This designation, conferred on a select group of countries, such as Japan, Australia, Israel, and South Korea, provides a broad set of military benefits, including priority delivery of defense equipment, stockpiling of U.S. military hardware, and participation in defense research and development programs. During Bush's state visit to Bangkok at the end of October 2003, Thailand was also awarded the status of major non-NATO ally.

Indonesia has reaped some benefits in the war on terrorism, although its potential gains have been hindered by challenges from human rights advocates. Following Megawati's meeting with Bush, the two countries agreed to a slight increase in military-to-military relations and to the first U.S.-Indonesian Strategic Defense Dialogue. The White House also decided to restart non-lethal military sales to Indonesia

and called for a resumption of full IMET funds for the Indonesian military. However, the U.S. Congress rejected IMET funding for Indonesia due to its human rights violations, and in particular, its failure to investigate the attack on a school in West Papua which left two American teachers dead. In July 2003, the House voted to strip a $600,000 appropriation for IMET and in October 2003, the Senate passed two amendments that set strict conditions on IMET funding.

Although Malaysia did not receive (or particularly need) military aid, it gained even more valuable political dividends, as the regime was suddenly legitimized in a post-9/11 world. Not only was Mahathir's reputation restored in the Western hemisphere when he was invited to the White House, but furthermore, the war on terrorism presented the reigning regime with the necessary political cover to paint its main political rival, PAS (Parti Islam-se Malaysia) as a bastion of violent and radical Islam by linking it to the terrorist organization, KMM (Kumpulan Militan Malaysia or Kumpulan Mujahidin Malaysia). Since 9/11, Malaysia has arrested more than 40 members of KMM.

It is the illiberalism embedded in the powers of the ISA that is, somewhat disturbingly, more congruent with U.S. geopolitical interests.

While these recent events would appear to reinvigorate Southeast Asia in the eyes of U.S. foreign policy, they remain altogether rather superficial, for they do not address the central dilemmas of political instability and Islamic violence in the region. What they have done, at least initially, is to provide some military support for the democratic political leaders of countries with significant Muslim populations, as well as intelligence support for a semi-authoritarian state like Malaysia. Although Deputy Secretary of Defense Paul Wolfowitz asserts that U.S. counter-terrorism initiatives are focused largely on law enforcement and cooperation in regional intelligence, it is hard to deny that military strengthening in the Philippines and Indonesia remains the central concern for the Department of Defense.[17]

Regime-Type in Southeast Asia: Tensions and Contradictions

While reinforcing military capacity appears to be a rather superficial, short-term strategy, how does the ideal of democratic advancement – the ideological pillar of American grand strategy – actually look on the ground? Not too good, if one looks at Malaysia and Singapore – the two countries that have been most effective in combating terrorism while remaining staunchly illiberal. While both countries are nominally democratic to the extent that they have regular elections, both regimes are more appropriately labeled semi-democratic or semi-authoritarian. At the heart of the illiberal nature of both countries is the Internal Security Act (ISA), a legacy of British rule that provides for indefinite detention without charge or trial. Indeed, the order and stability that reigns in both countries is attributable in significant part to the employment of the ISA.

The success of Malaysia in December 2001 and of Singapore in December 2001 and May 2002 in arresting members of terrorist organizations (the KMM and Jemaah Islamiah, or JI) has been facilitated by the coercive leverage that the ISA provides. Notably, the Philippines, Thailand, and Indonesia do not have such a law. However, at an ASEAN Ministerial Meeting on Terrorism in April 2002, officials agreed that Malaysia's ISA was an effective instrument in combating terrorism and that other ASEAN members would benefit from similar laws. The recent establishment of the Southeast Asia Regional Center for Counterterrorism in Kuala Lumpur further indicates the degree of confidence the U.S. government places in the effectiveness of the Malaysian coercive apparatus. This is a serious contradiction in terms of the policy goals articulated by the U.S. government – the propagation of freedom and democracy – and its actual strategic interests, i.e. tightening the noose over terrorist networks. It is the illiberalism embedded in the powers of the ISA that is, somewhat disturbingly, more congruent with U.S. geopolitical interests.

The other key countries in the region – the Philippines, Thailand, and Indonesia – are more democratic to the extent that elections are more open and competitive and there is relatively more freedom of opinion and upholding of civil rights. The United States has been leaning heavily on its alliances with the Philippines and Thailand, and also on its close bilateral relations with Singapore, to highlight the unity and importance of common democratic values. But it is precisely in two of the more democratic countries, Indonesia and the Philippines, that the U.S. faces greater challenges in defeating terrorism and meeting its strategic goals.

Of the key strategic ASEAN countries, Indonesia and the Philippines can generally be seen to have the weakest state structures. In both countries, corruption runs rampant in the bureaucracy and military; central and local state institutions lack transparency and accountability; and judicial systems are notoriously inconsistent.[18] The depth of corruption in Indonesia has led a United Nations special rapporteur on the independence of judges and lawyers to remark in July 2002 that Indonesia's legal system was the most corrupt he had ever seen, with the possible exception of Mexico.[19] In the 2001 Transparency International rankings of perception of corruption, the Philippines ranked 65th out of 91 countries, while Indonesia was 88th.[20]

In Indonesia the military remains a major thorn in the side of the state, complicating the U.S. Department of Defense's desire to combat terrorism by supporting domestic, military firepower. Focused largely on internal security, the military's history has been heavily marred by human rights violations and impunity. Following the military's massacre of civilians in the capital of East Timor in 1991, Congress banned IMET funding and subsequently severed all ties in the aftermath of the 1999 bloodletting during the United Nations-organized plebiscite. Even Indonesian military officials openly acknowledge the deep-seated problems within their institution. In 2001, Air Force Chief of Staff Hanafie Asnan remarked that the military's intelligence system was weak "because currently bombings occur without prior warning or detection. But I wonder whether the bombings occurred because of our poor intelligence capability, or whether our intelligence personnel are involved?"[21]

Advocates of reform in Indonesia point to the police as an alternative to the military for ensuring internal security and respect of human rights, yet the police force is plagued by similar problems of corruption. Until April 1999, the Indonesia National Police was a constituent part of the military. It was therefore embedded within the same organizational culture. Due to widespread corruption and poor training, the police has a decisively negative public image in Indonesia. New recruits often end up in the National Police after failing to gain employment elsewhere.[22]

The International Crisis Group notes in a recent report that reform of the National Police can only occur through forceful directives of the executive branch aimed at eradicating corruption at all levels of the state. Reforming the police without simultaneous efforts in the justice system and within the military is unlikely to improve the quality of internal security. Furthermore, increasing tax revenue to improve the salaries of the National Police remains a crucial task for the state.23 The Indonesian magazine *TEMPO* reports that although 50 percent of police officers are satisfied with their salary, 83 percent need to increase their income in some form. Often this occurs through gifts of houses, land, cars, overseas holidays, and share ownership.[24]

The real difference between Malaysia and Singapore, on the one hand, and the Philippines and Indonesia, on the other, is institutional capacity.

In Indonesia and the Philippines, violence and instability have been compounded by the active collusion of military forces. One glaring example of corruption in the Philippine military occurred in June 2001 when the Abu Sayyaf faction in Basilan was decisively encircled, yet was able to wiggle its way out and once again embarrass the government.[25] This surprising escape pointed very strongly to collusive links between the armed forces and the terrorists. In Indonesia, similar problems of military ties to violent militia plague law and order. Especially in the Moluccas, on the eastern edge of the archipelago, religious violence has been enflamed by the active participation of military and police forces. Muslim-dominated army forces, often linked to the terrorist organization Laskar Jihad, have exchanged fire on numerous occasions with the Christian-dominated police.

United States military support in the southern Philippines is also problematic to the extent that it can lead to unintended consequences. In February 2003, a multi-battalion operation attacked the Moro Islamic Liberation Front (MILF), a militant group fighting for Muslim autonomy, at its major base in North Cotabato province. This offensive led to the displacement of an estimated 40,000 civilians. While U.S. military training and aid is supposed to be directed largely against Abu Sayyaf, it can also be employed for military purposes that go beyond terrorism in the southern areas.[26] This could potentially lead to greater instability.

Sharp regional inequalities cut across both nation-states, where the peripheral areas lag significantly behind the central ones in terms of infrastructure and income. It is precisely in the peripheral islands where violence and instability are most acute. In the Philippines, the Muslim areas of Mindanao remain the poorest and most neglected in the country despite efforts under the Ramos administration to augment development funds. In Indonesia, the poverty incidence is highest in the regions farthest away from the capital of Jakarta and the dominant island of Java. In much of eastern Indonesia about 20% of the region is mired in poverty while in Kalimantan the rate is about 17%. Although Java has the highest incidence in terms of absolute poverty, only 12% of its regional population is considered poor.[27] Furthermore, infrastructure development has been most intensive in Java and Sumatra with evident disparities in road building and irrigation on the eastern side. It is hard to deny that these patterns of unequal development make it more likely for the peripheral regions – the Moluccas in Indonesia or Mindanao in the Philippines – to turn into cauldrons of discontent and instability, or to give rise to campaigns for secession.

Leadership at the executive level in the Philippines and Indonesia has been shallow and mediocre. President Arroyo is roundly criticized by the national media for being weak and indecisive, while President Megawati has failed to govern with any firm direction. While Megawati chose to rule a vast country with minimal public pronouncements, Arroyo has taken a different approach. Unable to make headway on her promise to revitalize the economy and eradicate poverty during her first years in office, Arroyo sought to repackage herself as a populist crusader against corruption. During her first term, the Arroyo administration gained notoriety for arresting alleged corrupt government officials and then displaying them on a stage with the president triumphant in front of television cameras. Such a populist strategy has failed to reduce corruption or improve stability. In fact, in a sad commentary on the inept anti-corruption campaign, the government erroneously embarrassed a civil servant who had been working methodically to build cases against corruption officials in front of television cameras. When called to the stage, the civil servant thought she was being rewarded for her diligence, but was stunned to suddenly find herself accused of misconduct.

Institution-Building: The Key to Development and Security

The contrast between the weak democratic states – the Philippines and Indonesia – and the strong semi-democratic (or semi-authoritarian) states of Southeast Asia – Malaysia and Singapore – does not imply that democracies are inherently flaccid and unstable and that authoritarian ones are necessarily more effective. Hence, there is no claim here that strong, autocratic states are to be normatively preferred over weak, democratic states. The real difference between Malaysia and Singapore, on the one hand, and the Philippines and Indonesia, on the other, is institutional capacity. What this contrast indicates is that building a foreign policy premised on the advancement of democracy and freedom or on military strength is not the most useful or the most sophisticated analytical framework for advancing U.S. strategic interests. Since the *National Security Strategy* clearly acknowledges the significance of weak or failing states for geopolitical security, it makes sense to pursue this problem to its logical

endpoint – that is, the strengthening of institutions writ large. Forging a grand strategy premised on institution-building would create an umbrella broad enough for strategic planning which could also be tailored to the specific concerns of different regions. The emphasis on institution-building in Southeast Asia can easily be linked with other foreign policy concerns such as post-war reconstruction in countries torn by ethnic strife and civil war.

A recent report of the National Commission on U.S.-Indonesian Relations, chaired by George P. Schultz, Lee Hamilton, and George Russell advances important policy recommendations that, among other concerns, emphasize institutional capacity. The report urges the United States government to build a "partnership for human resource development" with Indonesia that is premised upon a systemic reform program focused upon four areas: education, democratization, economic growth, and security.[28]

The commission recommends that the bulk of aid and the emphasis of the partnership with Indonesia be concentrated on education. Education is crucial for Indonesia to be able to make advances in economic growth, improve the government's administrative functions and, more generally, establish a more knowledgeable electorate. In particular, improving training in English is deemed essential to compete in a globalized world. The benefits resulting from education may also cascade to strengthen national stability and democracy by potentially reducing the appeal of demagogic leaders.

The commission is not alone in identifying education as critical for Indonesia's development. Several other programs and proposals for strengthening education are now in the works. For example, USAID Jakarta is currently running a small pilot program to work with a few local governments on planning and budgeting for education.[29] Professor Karl Jackson of the School of Advanced International Studies (SAIS) of The Johns Hopkins University has also made recent recommendations for increasing aid for education in Indonesia.[30]

Another area that should be targeted to improve institutional capacity is the rule of law. In areas ranging from customs and border patrols to legal courts, corruption runs rampant. In order to effectively tighten security at key nodes within the state, and to effectively prosecute terrorists, it is essential that the rule of law function appropriately. Here, the United States would do well to invest in training legal officials in various Southeast Asian countries. The National Commission on U.S.-Indonesian Relations recommends that assistance be granted to civil society organizations, watch groups, university faculties, the Bar Association and the Supreme Court, as well as the Attorney General's Office and the Ministry of Justice. Furthermore, if democratic governments are to defeat terrorist groups, they must be able to use the available legal mechanisms to prosecute them. And if Indonesians are to have faith in their government's actions, corruption must be drastically reduced. In Cambodia, for example, delays in establishing an international tribunal to try Khmer Rouge officials are a result of the United Nations' lack of faith in that country's legal system.

There are other areas, such as administrative and legislative reform, where U.S. foreign policy could be redirected so as to strengthen institutional capacity in developing countries. Education and the rule of law, however, are worth highlighting because they represent key areas that are currently being targeted. They hold real possibilities for reform, and are essential for strengthening the fabric of democracy. Democracy is ultimately an important end goal to reach for in Southeast Asia, but this should be done through concrete, substantive means, rather than rhetorical ones.

Funding institutional reform in key Southeast Asian countries could come from the Millennium Challenge Account (MCA) – President Bush's "new compact for global development."[31] The MCA mandates that developing countries be eligible to receive aid only when they show evidence of being politically and economically responsible. The Philippines and Indonesia would qualify for the MCA in terms of their per capita income.[32] However, in terms of the performance indicators against which developing countries are measured, both countries may fall short, particularly in terms of government effectiveness, rule of law, and control of corruption. This in effect creates a 'Catch-22' situation whereby those countries that need institutional and financial support for reform are excluded precisely because they are weak in those areas where they need aid.

Rather than worrying about democracy as a normative concern or placing excessive faith in military power, it is important to consider the value of institutions in state and society.

A better way of determining which countries should receive aid would be to look qualitatively at whether a particular country has the necessary political will to go through with key institutional reforms. Measuring a country's performance quantitatively may simply capture a national pattern, without taking new leaders with reformist goals into account. A more effective measure then might combine both quantitative indicators and a qualitative assessment of the current government's executive and key political actors' interest in reform. Quite significantly, incoming Indonesian President Susilo Bambang Yudhoyono has emphasized the problem of corruption as the top priority of his new administration.[33] This is a notable shift from the taciturn Megawati, and perhaps a good indication that the Indonesian state now has real political will to push through institutional reforms. It is clearly in the interests of the United States to encourage and support President Yudhoyono's apparent efforts to attack graft and corruption in Indonesia.

While funding is crucial for institutional reforms to be effected, in the end, policymakers' awareness of the real dilemmas of developing societies is even more critical. Ultimately, if the United States is to construct an effective grand strategy, it must come to terms with a geopolitical world in which state structures weigh heavily on international security. The roots of terrorism – and political instability more generally – are complex, yet there is abundant evidence that weak and failing states can often serve as incubators for restive forces. Rather than worrying about democracy as a normative concern or placing excessive faith in military power,

it is important to consider the value of institutions in state and society. In the long-run, institutional capacity will provide the foundations for more stable national polities – and therefore, for a more secure international system.

Endnotes

[1] See, for example, John Gershman, "A Secure America in a Secure World," (Foreign Policy in Focus, September 2004) accessed at <http://www.fpif.org/papers/04terror/index.html>; Commission on Weak States and National Security, *On the Brink: Weak States and US National Security* (Washington, D.C.: Center for Global Development, May 2004); Francis Fukuyama, *State-Building: Governance and World Order in the 21st Century* (Ithaca: Cornell University Press, 2004); Robert I. Rotberg, ed., *When States Fall: Causes and Consequences* (Princeton: Princeton University Press, 2003); Robert I. Rotberg, ed., *State Failure and State Weakness in a Time of Terror* (Washington, D.C.: Brookings Institution Press for the World Peace Foundation, 2003); Chester Crocker, "Bridges, Bombs, or Bluster?" *Foreign Affairs* 82, 5 (September/October 2003); and Commission on Post-Conflict Reconstruction, *Play to Win* (Washington, D.C.: Center for Strategic and International Studies and the Association of the U.S. Army, January 2003).

[2] Rohan Gunaratna of the Institute of Defense and Strategic Studies in Singapore similarly pinpoints state weakness as a crucial problem in combating terrorism. Noting that Al-Qaeda is searching for new areas for training and recruitment, Gunaratna comments that "...members are gravitating seeking new bases in Mindanao in the Philippines, Bangladesh-Myanmar border, Yemen, Somalia, [and the] Pankishi Valley in Georgia and Chechnya." See "The Rise and Decline of Al-Qaeda," Statement of Rohan Gunaratna to the National Commission on Terrorist Attacks Upon the United States, July 9, 2003. Accessible at <http://www.9-11commission.gov/hearings/hearing3/witness_gunaratna.htm>.

[3] For a perspective emphasizing the importance of economic issues in Southeast Asia for U.S. foreign policy, rather than traditional military concerns, see Michael J. Montesano and Quek Ser Hwee, "The United States in Southeast Asia: Deepening the Rut?" *Orbis* 48, 2 (Spring 2004): 321-334.

[4] The report is accessible at <http://www.whitehouse.gov/nsc/nss.html>.

[5] "President Delivers State of the Union," U.S. Capitol, January 28, 2003. Accessed at <http://www.whitehouse.gov/news/releases/2003/01/print/20030128-19.html>.

[6] "President Bush Discusses Freedom in Iraq and the Middle East," Remarks by the President at the 20th Anniversary of the National Endowment for Democracy, Washington, D.C., November 6, 2003. Accessed at <http://www.whitehouse.gov/news/releases/2003/11/print/20031106-2.html>. See also Colin Powell's speech at the Asia Society on June 10, 2002: "our first goal and highest priority for Asia must be to help create the secure conditions under which freedom can flourish..." In Robert M. Hathaway and Wilson Lee, eds., *George W. Bush and Asia: A Midterm Assessment* (Washington, D.C.: Woodrow Wilson Center for Scholars, 2003).

[7] White House, "National Security Strategy," 1.

[8] Ibid., 11.

[9] Prior to 9/11, John Hanley and Admiral Dennis Blair, former Commander of the Pacific Fleet, argued that the way to establish peace in Asia is to transform the balance-of-power approach to one built upon security communities. These security communities would allow for policy coordination, combined military operation, and general multilateral approaches to existing problems. While Hanley and Blair did not explicitly assert that these security communities necessarily had to be democratic, much of the literature on security communities implies democracy as its foundation. See Dennis C. Blair and John T. Hanley, Jr., "From Wheels to Webs: Reconstructing Asia-Pacific Security Arrangements," *Washington Quarterly* 24, 1 (Winter 2001): 7-17. See also Henry Nau, "Alliances or Security Community in Asia: Which Way is Bush Heading?" in Robert M. Hathaway and Wilson Lee, *George W. Bush and Asia: A MidTerm Assessment* (Washington, D.C.: Woodrow Wilson International Center for Scholars, 2003), 131-141. On the theoretical literature on security communities, see Karl Deutsch, *The Analysis of International Relations* (Englewood Cliffs, New Jersey: Prentice-Hall, 1968); Michael Barnett and Emmanuel Adler, eds., Security Communities (Cambridge: Cambridge University Press, 1998); Amitav Acharya, *Constructing a Security Community in Southeast Asia* (London: Routledge, 2001).

[10] Thomas Donelly, "What's Next? Preserving American Primacy, Institutionalizing Unipolarity," *American Enterprise Institute Online*, May 1, 2003.

[11] Richard N. Haass, "Toward Greater Democracy in the Muslim World," *Washington Quarterly* 26, 3 (Summer 2003): 137-148 at 138.

[12] The seminal article here is Michael W. Doyle, "Liberalism and World Politics," *American Political Science Review* 80, 4 (1986): 1151-1169. For rebuttals, see, among others, Christopher Layne, "Kant or Cant? The Myth of Democratic Peace," *International Security* 18 (1994): 5-49; and Ido Orren, "The Subjectivity of the 'Democratic Peace'," *International Security* 20 (1995): 147-184.

[13] Renato Cruz de Castro, "The Revitalized Philippine-U.S. Security Relations: A Ghost from the Cold War or an Alliance for the 21st Century?" *Asian Survey* 43, 6 (November/December 2003): 971-988.

[14] In 2002, the Philippines was provided $2 million. See Kenneth Martin, "Fiscal Year 2002 Security Assistance Funding Allocations," *DISAM Journal* 24, 3 (Spring 2002): 1-30 at 22.

[15] Ibid., 21.

[16] See the Philippine government's press release (May 2003): "Philippine-American Ties: A New Partnership for Peace and Development," accessible at <http://www.gov.ph/news/printerfriendly.asp?newsid=3761>.

[17] Paul Wolfowitz – An Interview with Jaideep Singh, "Active Engagement: U.S.-Indonesia Relations," *Brown Journal of World Affairs* 9, 1 (Spring 2002): 3-8.

[18] See, for example, David Rohde, "Indonesia Unraveling," *Foreign Affairs* 80, 1 (July/August 2001): 110-124; Jusuf Wanandi, "Indonesia: A Failed State?" *Washington Quarterly* 25, 3 (Summer 2002): 135-146; John Gershman, "Is Southeast Asia the Second Front?" *Foreign Affairs* 81, 4 (July/August 2002):

[19] National Commission on U.S.-Indonesian Relations, *Strengthening U.S. Relations with Indonesia: Toward a Partnership for Human Resource Development* (Asia-Pacific Research Center, Stanford University, National Bureau of Asian Research, United States-Indonesia Society, 2003), 22.

[20] See Transparency International at <http://www.transparency.org/cpi/2001/cpi2001.html>.

[21] "Indonesia: Next Steps in Military Reform," *International Crisis Group Asia Report* 24 (October 11, 2001), 6.

[22] "Indonesia: National Police Reform," *International Crisis Group Asia Report* 13 (February 20, 2001), 17.

[23] It is estimated that the Defense budget covers only about 25-30% of the military and police's needs. See "Indonesia: Next Steps in Military Reform," *International Crisis Group Asia Report* 24 (October 11, 2001), 12; and "Indonesia: National Police Reform," *International Crisis Group Asia Report* 13 (February 20, 2001), 10.

[24] "Indonesia: National Police Reform," *International Crisis Group Asia Report* 13 (February 20, 2001), 10.

[25] See Gershman, "Is Southeast Asia the Second Front?".

[26] With the increased strength of the Philippine military, Communist forces may end up as likely targets even if there is no mandate for doing so under the terms of U.S. military aid.

[27] Anne Booth, "Development: Achievement and Weakness," in Donald K. Emmerson, ed., *Indonesia Beyond Suharto: Polity, Economy, Society, Transition* (Armonk: M.E. Sharpe, 1999), 109-135 at 120.

[28] See National Commission on U.S.-Indonesian Relations, *Strengthening U.S. Relations with Indonesia.*

[29] Ibid., 36.

[30] Ibid., 36.

[31] Information on the Millennium Challenge Account is available at <http://www.mca.gov/index.shtml>.

[32] In 2003, the World Bank listed the per capita income of the Philippines as $1,080 and that of Indonesia as $810. To qualify for the Millennium Challenge Account, countries must have a per capita income below $1,435 to be considered for fiscal year 2005 and below $2,975 to be considered for fiscal year 2006.

[33] See "Indonesian Leader Sets Out Goals," *BBC News*, October 20, 2004. Accessed at <http://news.bbc.co.uk/2/hi/asia-pacific/3756870.stm>.

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