



# Policy Memo

**DATE:** November 9, 2006

**RE:** New Power Dynamics in Southeast Asia

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As President Bush prepares for his trip to Southeast Asia for the APEC meeting in Hanoi later this month, attention has been focused on an area of US foreign policy that in recent years has all too often been relegated to the backburner: Southeast Asia.

Indeed, US policy in the region has in many respects remained frozen in time as US foreign and national security policy has focused elsewhere in recent years. Although there is a strong desire for a continued US presence and positive role in the region, the United States has risked undermining its prestige and influence through episodic interest and selective attention when it comes reaching beyond narrowly construed security and defense issues. The United States is under-engaged in the dynamics of economic growth and regional architecture that are high on the agendas of Asian states.

## Points to Consider

- At its core, US policy in Southeast Asia should promote regional stability and freer trade. Social stability, economic growth, and good governance in Southeast Asia are critical requisites for lasting regional stability.
- Southeast Asia is currently both subject to and a driver of major structural changes in the distribution of power and influence in the region. With the rise of China and India the US role in Southeast Asia may be diminishing, at least in relative terms. The challenge is for US policy to manage this period of transition.
- In this context, the current and still unsettled Sino-Japanese rivalry is of greater concern to the states in Southeast Asia than is the potential of US-China competition. China is broadly viewed as seeking to undermine US and Japanese influence in the region, often subtly and indirectly, while Japan is playing diplomatic catch-up. India should be viewed as an independent factor in the region, with interests separate from the United States, and not merely as a counterbalance to be brought into play against China. China's future is far from certain and great power relations in the region hope to be cooperative, not conflictual. Regardless, no Southeast Asian state wants to be forced to choose between China and Japan or between China and the United States.
- The East Asia Summit and US policy and attitudes toward regional institutions and architecture have created the possibility that we are starting to see a bifurcation between East Asian frameworks and trans-Pacific ones—with the latter being far too few and

weak. East Asian institutions may also be structurally light, meet far too often, and talk too much, at least relative to substantial action. But there is value in “just talking,” given the alternatives, and there has been a strong and positive correlation between the rise of East Asia’s “talk shops” and interstate peace in region.

- There is increasing evidence of the influence of politics and events in the Middle East in shaping Southeast Asian perceptions. The potentials for reconstructing Muslim identity in Southeast Asia, if and how that unfolds, may become a problem for the United States insofar as the United States is perceived as anti-Islam. In the light of regional anger over the recent war in Lebanon, more intense even than Southeast Asian criticism of the war in Iraq, the United States should not underestimate the potential “soft power” of Islam as an identity.

### **Recommendations**

- The United States needs to address perceptions in Southeast Asia—reflected in numerous public opinion polls—that it is unilateralist and self-serving. One possible response would be to enter into a broader dialogue on US policy toward the Middle East.
- The United States should pursue policy initiatives in the region through multilateral fora but must also work in bilateral settings. Initiatives on key issues like avian flu can send a message that the United States is engaged in the region.
- US policy initiatives must embody a long-term commitment to Southeast Asia and address regional and local problems in the region where and as they are. For example, having pressed the Laotian government to eliminate opium production and trafficking, the United States must not leave it at that. The United States needs to follow through and work with the Laotian government to address economic dislocations and displacement. Likewise, an ongoing commitment to the justice and reconciliation process in Cambodia can help reinforce the message that the United States has not turned away from human rights in the region post-9/11.

### *Security*

- The United States should focus less on traditional security issues such as SLOCs and the maintenance of its air and sea capabilities and thus avoid a purely military focus on and in the region. While these issues are important, the United States should focus more on nontraditional challenges such as terrorism, maritime security, trafficking (of arms, narcotics, and people), health issues (such as pandemics), and the environment.
- Military-to-military relations are viewed today as less important in Southeast Asia, where the focus is on economics and trade. While the United States should continue to develop these relations and programs, they should be weighted accordingly. The United States should look for ways to expand military-to-military interactions through peacekeeping exercises, natural disaster training, and humanitarian relief efforts.
- The United States should continue transparently to review its military presence in the region, with the aim of reducing its footprint while increasing its capabilities. The United States should upgrade defense cooperation with friends and allies in the region, including exercises such as Cobra Gold.

### *Regional Architecture*

- The United States was “absent at creation” of the East Asia Summit (EAS) in Kuala Lumpur and has been likewise absent, or distracted, in its conduct of regional diplomacy in recent years. Although the EAS accomplished little, the United States should not stand idly by as these regional institutional processes develop. The US needs to be engaged to assure enduring trans-Pacific linkages.
- To that end, the United States should take advantage of opportunities for engagement with and in regional or international institutions when doing so could improve America’s legitimacy and leverage. Accordingly, the United States should accede, in some form, to the Treaty of Amity and Cooperation, and thus participate in the EAS, support institutionalizing the ASEAN Regional Forum (ARF) through the formation of a separate secretariat, and make the prospective US Ambassadorship to ASEAN a full-time job rather than a second hat for a Deputy Assistant Secretary of State to wear. The United States should also support back-to-back meetings of ARF and the Asia Pacific Economic Cooperation (APEC) forum meetings and other mechanisms to further linkages within Southeast Asia and between the region and the United States.

### *Domestic Environments*

- Although views within ASEAN have been changing in recent years, there is a gulf between the United States and many of the states in the region on issues of “non-interference” in domestic matters. For example, the so-called “Beijing Consensus,” with its steadfast support for sovereignty, is seen as representing an organic outgrowth of thinking in the region, while the “Washington Consensus,” which holds that the nature of transnational threats requires that nations take a proactive approach when a country’s behavior affects its neighbors, is not.
- There is no convincing evidence that a window of opportunity for change in Burma exists. China has not shown that it will use its leverage to improve political conditions in Burma. Indeed, nascent India-China competition for natural resources might give Burma additional leverage. The United States should nevertheless continue to encourage efforts for change in Burma, within the country and in international fora.

### *Economy*

- On the economic front the United States has a wide array of tools at its disposal, including ideas and resources for development, education, and investment, and for addressing issues such as trade and immigration. The United States should take advantage of these tools and use them in a pragmatic and directed fashion to enhance American engagement in the region and thus bolster the health and vibrancy of the US and Southeast Asian economies. While Doha and the Trade Promotion Authority are important, the future of both remains cloudy and uncertain and, in that context, the United States should therefore consider complementary trade agreements, perhaps along the APEC sectoral model, as well as ways to increase American trade capacity and assistance, including better interagency coordination to these ends.
- The United States should apply lessons learned from the 1997 financial crisis by making more appropriate financial advice available to policymakers in Southeast Asia, extending

the Generalized System of Preferences to include lower-income countries, and taking full advantage of ASEAN and APEC—and the potentials for leverage offered by the Asian Development Bank and the World Bank—to pursue a forward-looking approach to free trade and economic development in the region.

- The United States should promote sustainable development, and therefore focus especially on reducing rural poverty, supporting environmentally sound infrastructure projects, and encouraging government and private sector partnerships, for example, in microfinance.

This policy memo provides top-line results of the major trends, challenges, and policy recommendations intended for US policy in Southeast Asia developed at the Stanley Foundation's 47th annual Strategy for Peace Conference held October 19-21, 2006, at Airlie Center in Warrenton, Virginia.

The conference discussion groups were:

- **Domestic Determinants: Changing Asia-Pacific Societies and Foreign Policy** (chaired by Catharin Dalpino, Georgetown University)
- **Means and Ends: Regional Frameworks in the Asia-Pacific** (chaired by Donald Emmerson, Stanford University)
- **Trade, Aid, and Investment: Economic Rivalry in the Asia-Pacific Arena** (chaired by Lionel Johnson, Citigroup)
- **Allies, Friends, and “Strategic Competitors”:** **New Security Dynamics in the Asia-Pacific Region** (chaired by Barry Desker, Institute for Defense and Strategic Studies, Singapore)

**All conference chairs as well as Project Chair Catharin Dalpino and Project Director Michael Schiffer are available for comment.** Contact Keith Porter (563-299-4669) or Michael Schiffer (563-264-1500) for details.

The conference, “New Power Dynamics in Southeast Asia,” was the first event in the Stanley Foundation's multiyear programming initiative on Southeast Asia that will include meetings in Indonesia, Cambodia, Singapore, China, and the United States. The analysis and recommendations included in this memo do not necessarily reflect the views of the Stanley Foundation or any of the conference participants, but rather draw upon the major strands of discussion put forward at the Airlie conference.

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