

New Power Dynamics in Southeast Asia

A Report of a Stanley Foundation
Project on Examining US Relations
With Southeast Asia

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Executive Summary

When the Cold War ended abruptly in the early 1990s, the United States grappled with its new role and responsibility as the world's only global superpower. However, the world's attention is increasingly focused on the expanding platform of great or would-be great powers. Some of these—China and India—are rising rapidly, while others—Japan and Russia—are seeking to restore their influence; still others—Brazil and Indonesia—aspire to new leadership roles. The fluidity in power dynamics at this level may present challenges to international stability—in security, economics, energy, and the environment—but it also offers opportunities for new forms of cooperation and even new regional or international institutions. Both of these issue areas must be addressed by policymakers who will chart a course for US foreign policy after the 2008 national elections.

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Nowhere is this rising power phenomenon more vibrant than in Southeast Asia, a nearby neighborhood for some of the most significant rising powers. Historically a crossroads for great power competition, the region still reflects an ancient balance of cultural and economic influence from China, India, and the Middle East before the advent of European colonization. Today, the Association of Southeast Asian Nations (ASEAN) seeks to balance relations with the proliferation of new powers on the global stage and in the Asia-Pacific region. In addition, it is seeking to deepen relations with longstanding partners such as the United States, Japan, and Australia.

The Stanley Foundation has concluded an eighteen-month project to examine US relations with Southeast Asia in this new power dynamic. The project conducted five major meetings in Jakarta, Siem Reap, Singapore, Kunming, and Honolulu, and brought to the table policymakers and analysts from the Southeast Asian countries, China, Japan, India, Australia, and the United States. Key to this process was the formation of a partnership with leading public policy institutes in Asia and the Pacific: the Indonesian Council on World Affairs; United States-Indonesia Society; Cambodian Institute for Cooperation and Peace (CICP); The Asia Foundation; S. Rajaratnam School of International Studies; the Center for China-US Relations; China Institute of International Studies; Yunnan University; and the Pacific Forum, Center for Strategic and International Studies.

One central product of this project is a report for a new US administration and Congress on these power trends in Southeast Asia, with a series of recommendations to help move US relations with Southeast Asia forward in this new policy environment. The project found regionalism—and ASEAN in particular—to be a fluid state that has seen many new initiatives and incorporated several new actors, ranging from new ASEAN members to new external partners such as China and India. ASEAN's key concern in its own development is forging a charter that is not only acceptable to the ten member states but will also move the institution toward greater integration. Beyond its own institutional development, ASEAN has helped to foster new

Although the report was authored by “New Power Dynamics” Project Chair Catharin Dalpino, it represents a compilation of views and recommendations put forward by a broad spectrum of project participants over the life of the New Power Dynamics project. As such, the report should not be considered to represent the views of the Project Chair, any other individual or institution, or the Stanley Foundation.

regional frameworks, the latest of which is the broad East Asia Summit (EAS). With this new momentum, however, comes uncertainty over ASEAN's ultimate path and over the division of labor among the new regional groups that ASEAN has helped to establish.

The report finds that the greatest aspect of this new momentum is in the economic sector. Markets are becoming more central as a result and supplanting some functions of the nation-state. This has led to the negotiation of over 100 free trade arrangements in the region, an increasingly tangled "noodle bowl" of trade rules and preferences. Another offshoot of economic liberalization in the region is the formation of subregional networks designed to facilitate commerce and access to natural resources. The most prominent of these is the Greater Mekong Subregion (GMS), which is helping to power economic development in China's Yunnan Province, but questions are now being raised about the environmental impact of the GMS on the downriver countries.

The report also notes an increasing interest among Southeast Asian states in managing regional security affairs on their own through ASEAN and in having greater input into the wider security architecture of the ASEAN Regional Forum (ARF). This objective is an ambitious one and requires Southeast Asia to confront a growing number of nontraditional security threats as well as new concerns about maritime security in the South China Sea and the Straits of Malacca. Finally, the report finds that several Southeast Asian nations are in political flux but that the outlook for progress in Burma remains pessimistic in the wake of the political crack-down in 2007 and the regime's response to Cyclone Nargis in the spring of 2008.

Although the United States is viewed as lagging behind this regional momentum, the project found that there is considerable room for increased US participation in the near term. The appointment of a US Ambassador for ASEAN Affairs has set a precedent for other regional actors and established a leadership position for the United States in a possible new cadre of ASEAN diplomats. The report recommends that the United States sign the ASEAN Treaty of Amity and Cooperation (TAC) as soon as possible and that it enter the EAS at an appropriate interval.

The United States is likely to be less active in promoting regional free trade frameworks in the first months of a new administration, and the report urges that in the meantime policymakers take more incremental steps. These include encouraging common export standards among ASEAN countries and considering legislation to extend trade preferences to Asia's least developed countries.

The report finds ways for the United States to contribute to the multilateralization of security in Southeast Asia, such as urging that the ARF begin joint exercises in humanitarian response, but it also finds that bilateral aid for capacity-building will continue to be important. For example, heightened

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concern over the security of the Straits of Malacca with greater energy competition has not led to joint patrols, but the project believes that aid to the individual littoral states—Indonesia, Malaysia, and Singapore—could significantly improve the situation. Strengthening some areas of cooperation that have been central in the post-September 11 war against terrorism, such as intelligence-sharing, has produced exponential benefits, and the project recommends greater investment in this area.

Pursuing US objectives of promoting democracy and human rights in Southeast Asia is more difficult in light of the recent deterioration of the US image in the region. The report recommends that policies in this area be tailored to the unique circumstances of each country's political system and culture, working closely with a variety of local actors. However, given the extremity of the political situation in Burma, the project recommends a series of steps that will better position the international community to press for a process of national reconciliation there. These include helping to strengthen ASEAN's dialogue with the regime, stronger coordinating mechanisms for the spectrum of external and regional actors, consideration of a stronger humanitarian response, and building more flexibility into the US policy process, to enable policymakers to respond rapidly if opportunities arise.

New Power Dynamics in Southeast Asia: Reinvigorating the US Role

When the Cold War ended abruptly in the early 1990s, the United States grappled with its new role and responsibility as the world's only global superpower. In some dimensions this "unipolar" moment continues into the 21st century. However, the world's attention is increasingly focused on the expanding platform of great or would-be great powers. Some of these—China and India—are rising rapidly, while others—Japan and Russia—are seeking to restore their influence; still others—Brazil and Indonesia—may aspire to new leadership roles. The fluidity in power dynamics at this level may present challenges to international stability—in security, economics, energy, and the environment—but it also offers opportunities for new forms of cooperation and even new regional or international institutions. Both of these issue areas must be addressed by policymakers who will chart a course for US foreign policy after the 2008 national elections.

Nowhere is this rising power phenomenon more vibrant than in Southeast Asia, a nearby neighborhood for some of the most significant rising powers. Historically a crossroads for great power competition, the region still reflects an ancient balance of cultural and economic influence from China, India, and the Middle East before the advent of European colonization. Although they are significantly reduced, Southeast Asia also continues to address dynamics from the Cold War era as it tries to integrate former regional adversaries under ASEAN while seeking to balance relations with the Cold War's global enemies. These processes are the backdrop for the region's current efforts to adjust to the dynamics of the past decade: the economic rise of China and India; the surge of radical Islamist groups; and the intense competition for energy and other vital resources.

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US attention to Southeast Asia has been episodic, if at times intense. Since the end of the Vietnam War when the US presence in the region was at its height, Southeast Asia has often been viewed as secondary to vital US interests. This was particularly true in the 1990s when the end of the Cold War and the resolution of the Cambodian civil war gave the region a new-found peace. However, history has repeatedly demonstrated that the marginal can become the pivotal. Just as the Vietnam War was thought by US policymakers to be essential to containing China in the 1960s, after the events of 9/11 Southeast Asia was viewed as an important “second front” in the global war against terrorism. But the United States should recognize that its interests in Southeast Asia are permanent, not passing. Asia’s economic dynamism; Southeast Asian trade routes, particularly the sea lanes through the Straits of Malacca, through which a significant portion of Northeast Asia’s oil supply passes; and ASEAN’s role in fostering Asian regionalism all merit increased and ongoing attention from the United States.

For Southeast Asians, a different kind of wake-up call was the 1997-1998 Asian financial crisis, in which US attention was viewed by many Southeast Asians to be noticeable in the breach. With the United States directing its policy response and resources primarily through the International Monetary Fund, the major regional actors—Japan, China, and ASEAN—launched a set of new regional groups that was designed to give Asian policymakers greater weight in the Asia-Pacific region. The new frameworks were often geared toward greater economic cooperation, but the security implications of these regional shifts have become increasingly apparent. In this post-1997 period, China—and more recently India—have significantly expanded their bilateral and multilateral relations with Southeast Asia. In the areas of regionalism and new power relations with Southeast Asia, the United States is to some extent playing catch-up.

More fundamentally, the ebb and flow nature of US attention has often caused Southeast Asians to question US commitment to the region. When increased attention does come, such as the post-9/11 counterterrorism policy, Southeast Asians fear that the United States will recede again when US national interests are adequately assured, even if the threat remains in Southeast Asia. However, closer relations seldom come without negatives; Muslim Southeast Asia in particular is inclined to complain that US policy in the Middle East, particularly the war in Iraq, makes cooperation with the United States more difficult and even dangerous if it riles Islamist radical groups.

Despite these downsides, the United States more often receives complaints that it is not active enough in Southeast Asia, or that its view of the region is outdated. This has most recently emerged in protests that US diplomats do not spend sufficient time in the region, particularly at ASEAN-related meetings, such as ARF, that include external powers. The United States is unfavorably compared to China in that regard; while Beijing often sends its “A Team” of officials to Southeast Asia, the record of attendance for the US Secretary of State (in both Republican and Democratic administrations) at ARF meetings has been spotty.

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This complaint irritates some US officials and analysts who hold that “face time” without substance is of little value. Moreover, they point out that the US presence in Southeast Asia is often understated. The United States, through its system of treaty alliances—two of which are in Southeast Asia—continues to act as the security guarantor for the Asia-Pacific region. Aggregate trade with Southeast Asia makes ASEAN the fourth largest trading partner of the United States. US policymakers also maintain that US engagement with ASEAN is more vigorous than Southeast Asians claim and point to a network of agreements, ranging from the ASEAN-US Trade and Investment Arrangement to the ASEAN-US Enhanced Joint Partnership.

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These rebuttals are important but they do not adequately capture the present challenges facing US policymakers in Southeast Asia. The United States must consider its role and interests in a proliferation of new regional arrangements, including an increasingly tangled “noodle bowl” of regional and bilateral free trade agreements (FTAs). Most of these arrangements have ASEAN—or the “ASEAN way”—at their center, which calls for a new look at US relations with ASEAN. The twenty-first-century combination of increased terrorism and greater energy cooperation makes Southeast Asia’s sea lanes more important and more vulnerable. Although the United States and China both maintain that they do not compete with one another in Southeast Asia, China’s economic and political surge in the region, as well as India’s more vigorous involvement in the area, create a certain amount of displacement that requires adjustments in US policy. And although the demand for cameo appearances by US leaders may carry little weight in Washington, they are indicative of a deeper problem with the US image in Southeast Asia or, in a now-overused term, with its “soft power.”

The New Power Dynamics Project

To explore these new challenges and to offer recommendations for a new US administration and Congress, the Stanley Foundation launched a project on “New Power Dynamics in Southeast Asia: Issues for US Policymakers” in late 2006. This undertaking expanded on a previous Stanley Foundation Project, “Southeast Asia in the 21st Century,” which was a comprehensive examination of US relations with the region in the first half of this decade. Understandably, that project concentrated on the effect of the global war against terrorism in US-Southeast Asian relations; at the time, the impact of rising power dynamics was an important issue but not a central organizing framework.

In order to address the dynamic of new power relations in Southeast Asia, the project held five main meetings, all but one of them in Asia. Key to each conference was collaboration with one or more prominent institution in the region. In March 2007 the project was launched with a meeting in Jakarta on “New Leadership Trends in Southeast Asia” in collaboration with the Indonesian Council on World Affairs and with the United States-Indonesia Society. In July 2007 a conference in Siem Reap, “Aid, Trade, and Infrastructure: Economic Dimensions of New Power Dynamics in Southeast Asia” was convened in collaboration with the CICP. Discussion

on this topic was extended with an immediate follow-up seminar in Phnom Penh, in collaboration with the CICP and the Phnom Penh office of The Asia Foundation.

The two Cambodian events demonstrated the value of conducting this dialogue in the region, to give participants a more nuanced and hands-on feel for new power dynamics. The intense focus on Cambodia during that week underscored a point that frequently eludes analysts in Washington: that although the growing number of powers in the region creates an element of conflict, the majority of Southeast Asian nations do not necessarily view that dynamic as a zero-sum game. Just as China's inroads in relations with Cambodia have been striking in the past decade, it was also obvious that US-Cambodian relations have strengthened appreciably in recent years.

In October 2007 the project organized a meeting in Singapore on "Changing Security Cooperation and Competition" in collaboration with the S. Rajaratnam School of International Studies. This was followed by a meeting in Kunming in March 2008 on "Institutions and Frameworks for Regional Cooperation at the Dawn of the Asian Century." Held in collaboration with the Center for China-US Relations, The China Institute of International Studies, and Yunnan University, this meeting benefited from partnerships with both Beijing-based and Yunnan institutions, giving the discussion a deeper dimension. A final project wrap-up and evaluation meeting was held in Honolulu in June 2008, in collaboration with the Pacific Forum, Center for Strategic and International Studies. The project was fortunate in that each of these meetings had top Southeast Asian, Chinese, Japanese, Indian, Australian, and American policymakers and analysts as participants. At the Honolulu meeting, an added perspective on the views of the younger generation was offered by several analysts from the Pacific Forum's Young Leaders Program.

The net result of these discussions over the past eighteen months was a deep well of analytical and policy-related material which no single brief can capture. This paper represents a number of the major points and recommendations made over the course of the project, as a means to offer a slate of issues and initiatives for US policy in Southeast Asia in the near to mid term. The project was conducted under Chatham House rules and did not pursue consensus, and the choice of observations and recommendations for inclusions in this report was the sole responsibility of the project managers. The participants in the meetings did so in their capacity as individuals, and no observation or recommendation should be attributed to a specific individual's institution.

Recent Trends in Southeast Asia (And Beyond)

Rethinking US policy in Southeast Asia in light of new power dynamics, as well as important domestic trends within Southeast Asian countries themselves, requires a careful inventory of emerging trends. It is not sufficient, for example, to note that regionalism is on the rise without examining the

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economic and political dynamics that drive it. A short list of illustrative trends would include:

The Uncertainty of ASEAN’s Institutional Development, as Well as Southeast Asia’s Role in a Wider Regional Architecture Encompassing the Asia-Pacific Region. Since the entry of the four new members in the mid-1990s, ASEAN has been in a continual state of institutional reform as it reaches out to the broader Asia-Pacific region while it attempts to strengthen its own internal mechanisms. The *raison d’être* for ASEAN—managing Southeast Asia’s diversity for peace rather than conflict—has been fulfilled. No major and sustained conflict has erupted between member states, despite persistent, if low-level, bilateral tensions over historic territorial claims, ethnic or separatist insurgencies, and natural resource management. However, as ASEAN attempts to reinvent itself as an economic union and to present a common front in the international community, it is often undermined by its diversity. This explains why the “ASEAN way”—noninterference in the internal affairs of member states and decision-making by consensus—have endured into ASEAN’s fifth decade.

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This internal tug of war is best illustrated by ASEAN’s struggle to devise a charter that all ten member states will ratify and that can serve as a foundation for greater integration in Southeast Asia. A charter will also make ASEAN a legal entity, which could in time give the group greater authority in its internal dealings and with its external partners. However, the recommendations of the Eminent Persons Group (EPG), made at the end of 2007 prior to ASEAN’s adoption of the charter, and their rejection are instructive. The EPG advocated significant changes to both pillars of the “ASEAN way”; a decision by majority vote when consensus cannot be reached, and mechanisms to censure or even suspend members that violate ASEAN norms.

ASEAN’s ultimate adherence to the old procedures, at the urging of its more authoritarian members, was viewed by some in the West, particularly in the United States, as confirmation that the group is hamstrung by its internal dynamics. These critics view the charter, which has not yet been ratified by all ten members, as a final product. However, many in Southeast Asia disagree and emphasize that the most important aspect of the charter is its mechanisms for amendment, and they view the current version as a starting point. They also point out that the charter’s mention of a human rights body, as yet undefined, creates a broad outline for ASEAN liberalization that can be filled in with discussion and negotiation at a future stage. Whether ASEAN’s external partners can influence the course of this process will depend in part on which view of the charter they adopt.

The Asia-Pacific powers are more focused on ASEAN’s role in advancing regional architecture and, in particular, the course of the EAS. The latest in a series of “ASEAN-plus” entities, the EAS follows ASEAN rules of consensus and is convened on an annual basis by ASEAN. One requirement for entry into the EAS is accession to the TAC. The EAS was originally

restricted to Asian membership, building on early 1990s concepts of an Asian economic caucus. However, with Australia's entry, ASEAN has become a Pacific Rim organization by default, and India's participation gives it even broader scope. The broader membership also sets up the EAS as a potential competitor for Asia-Pacific Economic Cooperation (APEC), but one in which the Asian countries are more firmly in the driver's seat. For these reasons, the US policy community is pressed to determine whether membership in the EAS is necessary for the United States to maintain a prominent role in Asian regional discourse. Since signing the TAC is the primary requirement for entry, this puts ASEAN in the role of gatekeeper. Russia is also waiting in the wings, and many Asians believe that the EAS would have to admit both countries in order to maintain balance. At the same time, they are wary of importing US-Russian tensions into the EAS.

The Growing Ascendancy of Markets. As in other regions, globalization has had a profound impact on Southeast Asia in both positive and negative terms. Security frameworks are evolving in the region but more slowly than economic regimes, which tend to respond more rapidly to globalization. Therefore, a traditional analysis of power dynamics in Southeast Asia and the Asia-Pacific region as a whole is likely to miss some important shifts. Foremost among these is the growing emphasis on markets as a definition of relations with an external power and as an arena for regional integration. Although they have not likely to eclipse nation-states in the near future, markets are catapulting financial centers into the spotlight and downplaying political capitals.

This does not affect Southeast Asian countries themselves, which are more likely to have their financial and political capitals more closely linked in their capital city, as much as their relations with external powers. Put another way, these countries must now pay heed to Shanghai as well as Beijing; to Sydney as well as to Canberra; to Bombay as well as New Delhi; and to New York (or Seattle) as well as Washington. This two-track phenomenon has been illustrated in recent years when high-profile Vietnamese leaders traveling to the United States now begin their visits on the West Coast, making calls upon Microsoft and Boeing instead of flying directly to Washington as they have traditionally done.

As a result, power relationships are increasingly defined in terms of economics, and competition is no longer between rival nation-states but between rival markets. This contributes to the impression among many Southeast Asians that China, with its spectacular economic growth, is eclipsing the United States. The reality suggests a more complicated definition of economic influence. China is the fastest-growing investor in Southeast Asia; indeed, beyond the obvious economic purpose, Beijing has used investment to advance its political and even its security relations with Southeast Asia. After China and the Philippines clashed over Mischief Reef in the oil-rich Spratly Islands in 1995, China proposed joint development of the islands. China's trade with Southeast Asia is likewise expanding and in recent years has either matched or exceeded levels of US trade with the region.

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However, China-Southeast Asian trade is focused on raw goods and other natural resources, while Southeast Asia's trade with the United States is in technology manufactures. In this dimension, China and Southeast Asia often compete with one another. When Intel decided to place a \$1 billion microchip factory in Ho Chi Minh City, China was among the disappointed applicants. Lastly, although China's economic assistance to the poorer countries of Southeast Asia is also growing rapidly and is difficult to measure with the lack of published statistics, recipient countries report that Japan still provides the greatest amount of donor assistance to Southeast Asia.

Coupled with the rise of markets is the Southeast Asian belief that economic integration can pave the way to political stability and act as a limited security guarantee. This is seen first in ASEAN's own plans for economic integration in the form of the ASEAN Free Trade Agreement (AFTA), which was originally targeted for full implementation in 2010. The AFTA concept predated the 1997 economic crisis, and the shock of the crisis to intra-ASEAN trade gave AFTA a slow start. This did not stop ASEAN from entering into a free trade framework agreement with China in 2002, also targeted for completion in 2010. If and when the Central American Free Trade Agreement comes into full implementation, it will represent the largest free trade area in the world, with a collective population of 1.8 billion. Japan, India, and Australia have followed suit with more notional plans to formulate free trade arrangements with ASEAN in the fullness of time.

This emerging regional free trade architecture has been undergirded by a growing web of bilateral FTAs. The collapse of the World Trade Organization (WTO) Doha Rounds in July will likely result in increased attention to both of these mechanisms for trade liberalization in the near future. A recent inventory by the Asian Development Bank (ADB) shows that 108 FTAs—some of which are loosely labeled as “economic partnerships”—are in effect or under negotiation in Asia. Of these, 32 are signed and in effect; 9 have been signed but have not yet been implemented; and the remainder are in various stages of negotiation. Included in these are three US bilateral FTAs with Southeast Asian countries: an FTA with Singapore, which went into effect in 2003; with Thailand, which was suspended in 2006 because of domestic political instability in that country; and with Malaysia, which has moved very slowly.

A Growing Subregionalism, Particularly in Mainland Southeast Asia With Great Power Neighbors. Economic growth, coupled with the normalization of political relations among former Cold War adversaries, has also spurred new trade routes and infrastructure development at the subregional level. Much of this is planned, such as the GMS, which aims to link China (through its Yunnan Province) to the five Southeast Asian countries through which the Mekong runs—Burma, Thailand, Laos, Cambodia, and Vietnam. The GMS is primarily a transportation system, with planned routes running north to south and east to west. The GMS concept was born in the early 1990s as a project of the ADB, with strong backing from Japan, the ADB's

largest donor. At the political level, the ADB hoped to consolidate gains of the Cambodian peace process and help ensure that hostilities would not erupt again by strengthening links among the countries. In addition, Tokyo saw an opportunity for Japanese business in the numerous infrastructure projects that would be commissioned to build roads and railroads.

However, Japan's economic stagnation in the 1990s sidelined its involvement in the GMS, and China quickly stepped into the gap. Yunnan's interest was as much or more in the Mekong itself and powering the economic development of the southwestern Chinese province through a cascade of eight dams to provide hydro-electricity. The impact of these dams on the down-river countries, primarily Cambodia and Vietnam, has recently become an issue, albeit one that has no forum at present. The Mekong River Commission (MRC) does not include water issues in its agenda. Moreover, neither China nor Burma are members of the MRC. In this matter, China has eclipsed the ADB, and a significant portion of the river's development is now done on a bilateral basis.

Thus far, the GMS has proved to be a conduit for more than trade. It has facilitated immigration, much of it illegal, particularly from Yunnan into the northern tier of mainland Southeast Asia. It is also affecting relations between central governments and minorities on the perimeter in some Southeast Asian countries. A study of minorities in Laos funded by the Social Science Research Council reveals that newly-opened trade and transportation routes have led some minorities to adopt the language of the trading partner across the border rather than the central Lao language. Beyond commerce and migration, new subregional routes have accelerated the spread of a number of transnational threats, from epidemics to the trafficking of persons. Much of this new subregionalism has been to China's benefit in the short term, a trend which has not gone unnoticed by India, which has embarked upon its own road-building venture, reaching into Southeast Asia from Burma.

Subregional dynamics could also affect the flow of another vital resource: natural gas. A trans-ASEAN network of pipelines was included in the 1999-2005 ASEAN Plan of Action, but the evidence to date suggests that pipeline development will be more ad hoc and, as with the GMS, influenced by great power dynamics. Natural gas was discovered in Southeast Asia in the 1960s and now generates 40 percent of the region's electricity, more than any other source. A small number of pipelines have been built (Singapore-Malaysia; Singapore-Indonesia; Thailand-Burma). However, with increased China-India competition in Southeast Asia and the global rise of energy prices, China and India are now competing for natural gas pipelines from Burma. Neither ASEAN nor the ADB is likely to be able to regulate this process to create a regional or subregional energy plan that takes the needs of all members into account.

Increasing Interest Among Southeast Asian States in Managing Regional Security Affairs on Their Own Through ASEAN, or at Least in Having

Greater Input Into the Wider Security Architecture of the ARF. This new interest corresponds to a modest proliferation of multilateral security arrangements in the region, as well as the growing number of bilateral security dialogues, particularly with rising powers. A good deal of this emerging trend is still symbolic, such as the Declaration of the Bali Concord II in 2003, which lays the groundwork for an ASEAN security community, the definition of which is typically broad and inclusive. Some can be attributed to the initiatives of external powers, such as Beijing's 2004 proposal to establish an annual ARF defense ministers' meeting. Some older models of security cooperation are being quietly multilateralized, such as the expansion of the annual US-Thailand Cobra Gold exercises, which now include Singapore and Japan as formal partners. Still other security dialogues are track two events, such as the Shangri-La Dialogue in Singapore which has brought defense officials together for six consecutive years. Despite some initial successes, in the near term this new fluidity in regional security could be destabilizing because the foundation required for a successful new security framework does not appear to exist in either Southeast or Northeast Asia.

Some initiatives are clearly constrained by deep-seated, underlying tensions and have already revealed their limits. The 2002 China-ASEAN Memorandum on the South China Sea, often mislabeled as a code of conduct, has led to a combined mapping of the sea bed. However, it has not prevented skirmishes between China and Vietnam over the disputed Paracel Islands. Nor do Southeast Asia and its external partners necessarily agree on what constitutes a security threat. Concern over the security of the Malacca Straits has led Japan, Australia, and the United States to conduct regular patrols of the Straits. However, the littoral states—Indonesia, Malaysia, and Singapore—have turned down proposals for joint patrols and are not inclined to securitize the Straits, preferring to view violations to maritime security there as common criminal behavior.

Nor is ASEAN likely to establish an enduring and effective security mechanism within itself in the near future. ASEAN was founded on the recognition of common security interests, but its existing mechanisms would likely prevent a move toward a more collective security community. Even the original security mission of ASEAN—to lower tensions between or among member states—has had mixed success. As recently as August, Thailand rejected an offer from ASEAN to form a contact group to help mediate the dispute between Bangkok and Phnom Penh over the Preah Vihear temple. Nevertheless, the political will to consider new security frameworks at all is a watershed in the region.

Formulating common security positions has become more urgent and more difficult with the exacerbation of numerous nontraditional security threats in the region. The most prominent of these has been terrorism related to radical Islamism, which has drawn increased policy attention from the United States. A more nascent but equally serious concern is a potential avian flu pandemic. In recent years, the locus of avian flu outbreaks has

moved from mainland Southeast Asia to Indonesia. These and a host of other nontraditional security threats—environmental haze, drugs, and human trafficking—challenge ASEAN to find cooperative paths without threatening the basic sovereignty of its member states. In addition, they complicate relations with the region’s rising powers, which themselves are occasionally the source of transnational threats. China’s role in the 2002-2003 SARS epidemic was an early lesson in this regard.

Political Transitions or Political Instability in a Number of ASEAN Countries That Have an Impact on Regional Coherence and Underscore Differences in Diplomacy in Southeast Asia’s External Partners. At the present time, Southeast Asia has the widest political spectrum in the world with established, if floundering, democracies (Thailand and the Philippines); consolidating democracies (Indonesia); struggling semi-democracies (Malaysia); semi-authoritarian states (Cambodia, Singapore); authoritarian governments (Vietnam, Laos); and a right-wing totalitarian state (Burma). This political diversity is derived from several factors, including different colonial histories and the impact of the Cold War. At the present time, it influences ASEAN’s institutional development and makes it difficult for regional powers to form cohesive policies to promote greater political openness and the protection of human rights. The political stretch also affects leadership dynamics within the group. When ASEAN was founded in 1967, its member states were uniformly authoritarian, and domestic politics were not an issue. Prior to the democratic upheaval in Indonesia in the late 1990s, Jakarta had been recognized among the “old” ASEAN members as the de facto group leader, despite the fact that chairmanship of ASEAN rotates on an annual basis.

It has also been a point over which the regional powers are divided. Ironically, in this issue area the older powers—the United States, Australia, the European Union, and Japan—are more inclined to press for political change in more repressive countries, while the rising powers—China and India—maintain the status quo. China in particular has been able to turn this difference to its advantage; in dispensing aid and investment to Southeast Asian countries, Beijing has conspicuously eschewed the conditions and sanctions for which the more developed powers were criticized in the “Asian values” debate of the 1990s.

Nowhere are these internal and external differences more pronounced than in the international community’s attempts to influence the military regime in Burma to liberalize and enter into a process of national reconciliation. Events of the past year have only underscored the intransigence of the regime and the international community’s inability to affect short-term change in the Burmese political environment. The crackdown of the 2007 “Saffron Revolution” belied attempts by the international community to frame a “roadmap” for political reconciliation, and the regime’s response to Cyclone Nargis earlier this year reaffirmed the government’s deep unwillingness and inability to work with the international community, even in extremity. The cyclone demonstrated that ASEAN has marginally more

Formulating common security positions has become more urgent and more difficult with the exacerbation of numerous nontraditional security threats in the region.

influence on the regime than the West does. However, Burma also presents a growing impediment to ASEAN's plans for regional integration. Although ASEAN will continue to decline more radical suggestions from the international community to eject Burma from the group, it is moving toward an internal reckoning of the impact of Burmese membership.

China's relationship with the junta—by virtue of its growing political, economic, and security ties with Burma—brings greater international pressure upon Beijing to use its leverage to influence the Burmese regime to move toward constructive change. Chinese analysts report that the government has attempted to do just that in the past year in the wake of Burma's twin crises. Ultimately, influencing the regime may require closer coordination among the concert of regional powers than simply assigning that responsibility to any one quarter.

A Policy Agenda for the United States

This framework does not capture the entirety of US interests and concerns in Southeast Asia, but it does point to new challenges for US policymakers in the region. One broad issue that affects all of these policy areas is the need to improve the US image in Southeast Asia. Polls and less precise sampling of public opinion in the region indicate a high level of interest in the 2008 elections; because of this interest, the United States may enjoy an initial "bounce" in Southeast Asia regardless of the outcome of the elections. With that, however, will come expectations of policy changes in short order that a new administration and Congress may not be able to fulfill. Therefore, managing the "bounce" to the best effect will be important in the early months of a new government.

A honeymoon period may also mask some of the deeper and more long-standing causes of the deterioration of the US image in Southeast Asia. Some of these may be beyond the purview of US-Southeast Asian relations, narrowly defined. The opposition of many Southeast Asians to US policy in the Middle East, particularly in the region's Muslim-majority countries, may not abate until conditions, or US policy, in that region change demonstrably. However, in both public and formal diplomacy, US policymakers would do well to keep in mind the growing global consciousness of Southeast Asian publics, particularly in the younger generations. Dialogues on US global policy, or more specific policy in other regions, may be a good investment if managed carefully.

A final issue in this overarching category of US "soft power" is the need to build a larger cadre of Southeast Asia specialists in the United States to keep the region on the US "policy screen." This situation has been in a slow decline since the end of the Vietnam War as war-era regional specialists leave the scene. Plaintive calls for funding of US think tanks and academic institutions have become standard in policy briefs for a new administration and Congress. However, in the current US foreign policy and economic climate, they are not likely to be answered satisfactorily in the next few years. To address this deficit, Southeast Asian governments and foundations should be

One broad issue that affects all of these policy areas is the need to improve the US image in Southeast Asia.

encouraged to fund area studies programs in the United States. Thailand has initiated this trend by extending funding to US universities and think tanks for courses and research both on Thailand and on broader Southeast Asian issues. Singapore, Malaysia, and Indonesia should be encouraged to follow suit as soon as possible.

More concrete but no less daunting challenges that the United States will face in Southeast Asia in the next few years include:

Increasing US Participation in Regional Institutions and, in Doing So, Strengthening US-ASEAN Relations. A common complaint in Southeast Asia is that the Asian great powers—China especially—are more willing than the United States is to deal with the region as a group than simply as a set of bilateral relations. There is some truth to this perception, although it obscures the surge in bilateral relations between these powers and Southeast Asian relations that has run parallel to these regional policies. The United States has two particular impediments to a rapid increase in its relations with ASEAN. First, forward-leaning US sanctions on Burma make it difficult to include the top levels of that country’s leadership in regional summits and similar initiatives. The United States should maintain a strong policy to promote political change in Burma. However, the United States cannot allow its position on Burma to prevent it from forging stronger relations with ASEAN, which will serve multiple US interests in the region. Reconciling these two policy objectives will require diplomatic skill but is a basic requirement of any significant advance in US-ASEAN relations. Second, as considered below, the United States is not positioned to match recent moves by China, India, Japan, and Australia to negotiate regional free trade arrangements with ASEAN as a group. This is a more difficult issue, with strong domestic undercurrents, and can only be addressed over a period of years. However, in the meantime there are several steps the United States can take in its economic relations with Southeast Asia to promote liberalization.

However, it would be inaccurate to paint US relations with ASEAN as altogether lagging. The potential for US leadership in this regard was seen this year in the establishment of the position of a US Ambassador for ASEAN Affairs. A Washington-based position that makes the Ambassador as much an internal advocate for stronger ASEAN relations as an envoy to the group, the US initiative is taking hold in the region. Early indications are that other regional powers will follow suit, and some ASEAN members themselves are considering accrediting ambassadors to the ASEAN Secretariat in Jakarta.

Beyond the issue of greater involvement with ASEAN, the United States must also consider expanding its participation in broader regional groups. Foremost among these is the EAS, which is, of course, linked to ASEAN through the TAC. Washington’s response to the EAS heretofore has been to fall back upon APEC for its primary involvement in Pacific Rim organizations. However, with the gravitational pull toward more Asia-centric institutions, an all-APEC strategy is an increasingly less effective strategy for the United States. Although the agenda for the EAS is still unclear, it will likely

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be one of the region's few "big issues" forums. Moreover, membership in the EAS would enable the United States to address its major policy concerns in Asia directly and exclusively with Asian governments; in APEC the factor of the Latin American members must be considered.

There is a more natural role for the United States in Asia-Pacific frameworks and even in a partnership with ASEAN. Less easy is affecting subregional dynamics in Southeast Asia, but these are proving to be important for a number of reasons: influence, economics, and even strategic resources. A more indirect role, which addresses the consequences of subregionalism, may be more appropriate.

Beyond the issue of greater involvement with ASEAN, the United States must also consider expanding its participation in broader regional groups.

- The United States should sign the TAC as an important symbol of its commitment to regional integration in Southeast Asia. Early resistance to this proposal because of Burma's membership in ASEAN and the regional group's plans for a nuclear-free zone in the 1980s has abated in recent months. Beyond its link to EAS membership, signing the TAC would give the United States stronger bona fides with ASEAN as a regional player.
- The new administration should commit to a more formal ASEAN-Plus-One process of regular US-ASEAN Summits. This could be done on the margins of the annual APEC meeting but that has been problematic in years when APEC was held in Latin America. In addition, three ASEAN members (Cambodia, Laos, and Burma) do not belong to APEC. If the United States enters the EAS, an annual US-ASEAN Summit could be more easily managed. Commitment to an annual meeting of heads of state would greatly reduce public complaints if the US Secretary of State is unable to attend the ARF meeting in a given year.
- As the first country to establish an ambassador for ASEAN, the United States should lead an effort to build a cadre of ambassadors from the other regional powers, to support ASEAN's internal development and coordinate regional powers' policies toward ASEAN. Although Washington appears to have created a trend, little thought has been given as yet to its aggregate potential.
- The United States should help ASEAN build regional civil society networks to strengthen Southeast Asian integration and give ASEAN an important channel to encourage political dialogue. A stronger "track two" process within ASEAN will promote greater openness in the group, if it occasionally makes member governments uncomfortable. The younger generations in ASEAN member states are inclined to put greater faith in the regional group, but they have relatively little contact with one another and would benefit from exchange programs.
- At an appropriate time, the United States should join the EAS. This is obviously not a unilateral decision, and the members of the EAS have signaled that the entry of new members will depend in part upon their impact on the power dynamics of the group. However, membership in the EAS could

provide an important diplomatic forum for the United States in Asia and raise the US profile in regional institutions.

- The United States should work with the ADB and Japan to encourage more extensive regional consultations on development of the Mekong Subregion. This could include urging China to become a full member of the MRC and promoting dialogues and funding initiatives to address the environmental impact of GMS infrastructure development.

Pursuing Liberalization in Southeast Asia in Keeping With US Interests and Constraints. The United States is presently behind the curve of the trend toward regional FTAs in Asia, and it is likely to stay that way for some time. This dynamic is not likely to change until the United States addresses its own domestic political and economic issues. This will be an important, if painful, task that will affect US foreign policy on a broad plane. Beyond the domestic dialogue, which is made all the more difficult in the current economic climate, Congress must also consider restoring the President's Trade Promotion—or "fast track"—authority.

The collapse of the Doha Rounds will give additional impetus for this internal US dialogue. As noted before, this development will put greater pressure on bilateral and regional trade agreements. However, an ADB study has found that the plethora of these agreements in the Asia-Pacific region has created confusion, particularly among investors and trading partners who are not aware of sum total agreements and regulations that might apply in any given deal. Moreover, the ADB argues, there is less advantage to these FTAs than appears on the surface, since rules of origin may significantly restrict trade under them. Indeed, many traders are finding that they prefer to pay tariffs on goods than to deal with the rules of origin.

- Before the US policy process is ready to consider new FTAs, US policymakers should pursue stronger implementation of existing agreements and modest but important measures to promote trade liberalization in Southeast Asia. For example, this summer the United States agreed to consider Vietnam's request for a Generalized System of Preferences. At the regional level, the United States can work with ASEAN to establish uniform codes of standards for exports. This could not only facilitate US-ASEAN trade but may also encourage regional infrastructure development by increasing intra-ASEAN trade.
- When the domestic climate is more conducive to FTAs, US policymakers should take a hard look at the obstacles encountered in negotiating FTAs thus far in Southeast Asia. FTAs have become political as well as economic instruments, used to strengthen bilateral relations in general or to shore up particular administrations on both sides of the Pacific. WTO rounds can take decades to complete, but FTAs can often be concluded in the three to four year timespan of a government's tenure. However, political motivations do not prevent serious economic disagreements in the negotiation process, as seen in the US-Malaysia FTA negotiations, and they may even

The United States is presently behind the curve of the trend toward regional FTAs in Asia....

exacerbate domestic problems, as Thailand learned in 2006. Policymakers should take advantage of the hiatus in FTA negotiations to reconcile political goals with economic realities in countries where negotiations are likely to resume.

- The United States should consider legislation to offer trade preferences to Asia's least developed countries, similar to those offered to Africa and the Caribbean. In Southeast Asia, the countries that would be most affected are Cambodia, Laos, and East Timor. They are unlikely candidates for FTAs in the near future and are not recipients of large amounts of US assistance. Beyond the inherent economic value of this measure, it could help reduce the economic inequities within ASEAN that hinder regional integration.

Protecting US Interests While Encouraging Southeast Asian Initiatives in a Changing Asia-Pacific Security Environment. Some security issues in Northeast Asia—reducing tensions in the Taiwan Straits, denuclearizing the Korean peninsula, continued friction between Japan and China—do not have a direct impact on Southeast Asian security other than the fear of spillover if any of these problems should erupt into military confrontation. Others, however, obviously link the two regions, such as maritime security in the South China Sea and the Straits of Malacca and the threat of pandemic avian flu. Nevertheless, Southeast Asians are best able to balance their relations with regional powers when those powers are able to establish equilibrium among themselves. Policymakers should keep this dividend in mind. For example, Southeast Asians would be less likely to fear US-China conflict (or to play the United States and China against one another) if the United States is able to forge trilateral cooperative arrangements among the United States, China, and Southeast Asia in areas of common interest, such as nontraditional security threats. Security improvements on a bilateral basis between regional powers are also likely to have a positive echo effect, such as the proposed US-China joint exercises for humanitarian assistance.

Not surprisingly, if economics have considerably loosened up the Southeast Asia region, security issues tend to make the countries of the region guard their sovereignty more carefully. This is an additional obstacle for forging regional security regimes, as discussed above, and bilateral ties will continue to be important. US security relations in the region have improved across the board in recent years, with the resumption of military-to-military relations with Indonesia and the opening of a cautious but significant security dialogue with Vietnam. Nevertheless, in the current environment of brisk regionalism and with the spread of nontraditional security threats, the United States should also contribute to multilateral security regimes.

- The United States should continue urging ARF to launch joint exercises to strengthen the region's humanitarian response. The 2004 tsunami was an example of both the urgency of this task as well as some of the benefits of

cooperation. Because of the Burmese regime's reaction, Cyclone Nargis was a less successful attempt. Nevertheless, humanitarian relief is the most widely accepted form of regional security cooperation, if it does not exactly provide the foundation for a more permanent security mechanism. The United States should also encourage ARF and ASEAN to strengthen protocols that enable the groups to offer humanitarian assistance to member states.

- In the absence of joint patrols in the Straits of Malacca, the United States and other external powers should help strengthen the bilateral capacities of the littoral states to provide maritime security. These might include training for navies and coast guards, surveillance assistance, and technical help with wreckage removal in the Straits.
- More broadly, the United States should pay greater attention to capacity-building in Southeast Asian countries, particularly in soft and technical skills such as law enforcement training and nontraditional security threat management. Pandemic and epidemic surveillance on a bilateral basis is particularly important since reports of outbreaks have been shown to raise nationalist hackles in the country of concern.
- The United States needs to continue and encourage the trend toward greater intelligence cooperation. This has the multiple effects of enhancing security in the region, promoting defense and security transparency, and increasing confidence-building measures within Southeast Asia and with external powers. One of the net gains of counterterrorism cooperation following 9/11 has been increased, if still cautious, intelligence-sharing. Given levels of mistrust between individual Southeast Asian countries on that score, the United States originally served a turnstile function. More direct cooperation may be a longer-term goal, but a worthy one.

Encouraging Greater Freedoms in Southeast Asia in Light of the Region's Political Diversity. Southeast Asians have always had mixed feelings about US attempts to promote democracy and human rights in the region because these efforts were often seen as contradictory, if not hypocritical. Cold War alliances strengthened authoritarian military regimes in several countries. In the romanticism that accompanied the end of the Cold War in Washington, Southeast Asian countries attempting to liberalize or democratize were stung at times when the results were criticized as imperfect. A decade later, the war against terrorism made the United States appear to sanction the same severe internal security laws in Southeast Asian countries it had criticized in the 1990s. There is another side to this equation, of course, and democratic reformers and human rights defenders have depended upon the United States for support—financial, technical, and moral—in their efforts to liberalize their societies.

In this complicated dynamic, it is little wonder that external powers such as China—which has notably moved from being a revolutionary power in the 1960s to a status quo one in this decade—has been able to reap

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benefits from eschewing this policy area in Southeast Asia. But neither is India, itself a longstanding democracy, eager to complicate its new cultivation of Southeast Asia with demands or encouragement of domestic political reforms.

It would be possible, but not easy, to draw up extensive recommendations for US policy in each Southeast Asian state to promote greater political openness. However, these policy prescriptions would depend upon a snapshot of each country's current political environment, situations that are clearly in flux in countries such as Thailand and Malaysia. A more lasting approach is to consider the unique combination of factors that are in play in each country's political dynamic and to work with a broad spectrum of players to keep liberalization moving forward, however those next steps are defined in the local political culture. This approach will give the United States more credibility as a partner in political reform than unrealistic demands based on models from other regions.

However solid this approach may be for the majority of Southeast Asian nations, it is not likely to work in Burma at the present time. Internationally and in the United States, Burma has become the flagship effort for democracy promotion in Southeast Asia, despite the meager results thus far. A new administration and Congress should review Burma policy with an eye to formulating strategies if openings should appear—gradually or abruptly—in the political situation there. These might include:

- Helping to strengthen ASEAN's capacity as an interlocutor with the Burmese regime. As noted before, Cyclone Nargis was a litmus test which revealed that ASEAN appears to be a more acceptable representative of the international community than other options. However, ASEAN does not have strong internal consensus on the best way to approach Burma and this option, as all others, is limited at this time.
- Strengthening coordination among external regional powers on Burma. A more united effort among the United States, China, India, Japan, Australia, and the European Community may see a better result when the next political opportunity or crisis appears in Burma. Proposals to construct a concert of powers along the lines of the six party process for Korea are probably unrealistic at this time, unless Burma itself is willing to participate in that process. If it were, given the large number of actors, such a process would more likely resemble the consortium of external and regional powers and internal parties that came together to forge a peace process for Cambodia in the early 1990s.
- If conditions in Burma warrant, the United States should consider additional ways to offer humanitarian assistance to Burmese society and otherwise safeguard the society against the impact of sanctions meant to censure the regime. With a country as tightly controlled as Burma, the risk in this approach is obviously in providing the regime with more backhanded control. As an early step, however, the United States might

A more lasting approach is to consider the unique combination of factors that are in play in each country's political dynamic and to work with a broad spectrum of players to keep liberalization moving forward, however those next steps are defined in the local political culture.

consider making some humanitarian licenses permanent rather than requiring annual renewal. If conditions loosen inside Burma, sanctions might be tailored. For example, sanctions on natural resources are more likely to affect the regime, which profits from mining and natural gas exports, while those on light manufacturing are more likely to hurt Burmese society.

- If momentum toward credible national reconciliation in Burma increases, US policymakers should consider building more flexibility into the policy process to allow for a more rapid response. For example, this could mean consultation between Congress and the administration to give more executive discretion over some sanctions.

Dramatic changes in new power dynamics have both a global impact and a regional impact, and the phenomenon in Southeast Asia is only part of a broader trend. The rise of China and India, Japan's attempts to reconfigure its role in the international community, and a resurgent Russia are all factors that the United States must weigh in its global foreign policy. However, this dynamic in Southeast Asia presents new opportunities for the United States to strengthen its relations with individual countries of the region, to advance Southeast Asian regional integration, and to set up collaborative efforts with other powers to meet a growing list of transnational threats. Greater policy attention to Southeast Asia is needed to pursue these goals, but it is an investment that would be more than justified with exponential returns.

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New Leadership Trends in Southeast Asia:
A Strategic Dialogue on New Power Dynamics

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