

# U.S. Alliances and Emerging Partnerships in Southeast Asia

## Out of the Shadows

A Report of the CSIS Southeast Asia Initiative



July 2009

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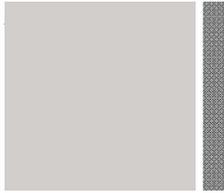
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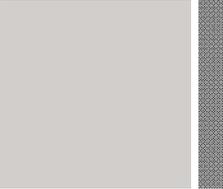
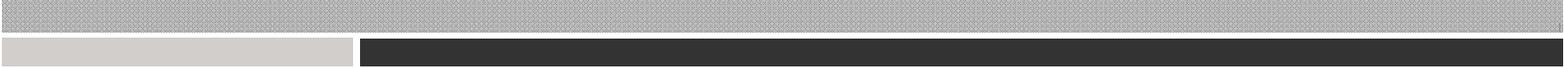
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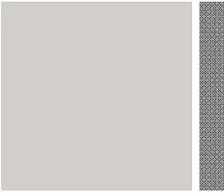
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## EXECUTIVE SUMMARY

Hillary Clinton's visit to Indonesia on her first trip abroad as U.S. secretary of state signaled that the Obama administration intends to pay renewed attention to Southeast Asia, a region with over 550 million people, the world's largest Muslim nation, an economy of over \$1 trillion, and some of the world's most strategic waterways. This is a welcome development due to the significance of U.S. interests in the region. U.S.–Southeast Asia trade amounts to over \$200 billion annually, and U.S. cumulative investment in the region is valued at over \$100 billion. Perhaps more importantly, Southeast Asia is a region likely to play a critical role in determining the future of Asia and whether the United States can sustain itself as an Asia-Pacific power.

Enhanced U.S. engagement with Southeast Asia will naturally involve greater attention to the Association of Southeast Asian Nations (ASEAN) and other multilateral forums, but key U.S. interests in the region will continue to be pursued through bilateral partnerships. This will include not only U.S. treaty allies—Thailand and the Philippines—but also key emerging players, particularly Indonesia, Malaysia, Singapore, and Vietnam. This report assesses the health and potential of these partnerships and offers recommendations to incoming policymakers as they consider the way forward in U.S. policy toward the region.

In summary, the authors found the health of the six bilateral relationships examined as follows:

- The U.S.-Thailand alliance continues to benefit the two countries, but deep-seated and longstanding issues trouble the relationship.
- The U.S.-Philippines alliance is in surprisingly good health and provides the United States with significant benefits, a finding contrary to common assumptions on the state of the relationship.
- U.S.-Singapore relations are extremely strong, and a perceived lack of U.S. attention to the region in general is the only sore area.
- U.S.-Indonesia relations are sound and have the greatest potential among the partnerships examined to be significantly elevated in coming years.
- U.S.-Malaysia relations are positive, and there exists significant room to deepen the partnership in coming years.
- U.S.-Vietnam relations are positive and growing, with Vietnam eager to engage the United States as a prospective partner and player in regional affairs.

One must be careful not to make sweeping generalizations about “Southeast Asia” as a single, unified entity. Nonetheless, several common themes emerged in the six countries examined that deserve summary mention.

- Southeast Asian nations are generally satisfied with the state of their respective bilateral relationships with the United States.
- Southeast Asian nations almost universally desire more U.S. engagement, both in bilateral and regional terms.
- Southeast Asian nations are concerned that the Obama administration’s mantra of “change” will alter the U.S. approach to their respective bilateral relationships. They also worry that a Democratic administration will tend toward protectionism and that human rights concerns may emerge to constrain relations.
- Southeast Asian nations want the United States to engage more actively in ASEAN-led regional frameworks.
- Southeast Asian nations—particularly Indonesia and Malaysia—desire a more “balanced” and less belligerent U.S. foreign policy, particularly in the Middle East and specifically related to the Israel-Palestine question and the Iraq War.
- Southeast Asian nations welcome increased Chinese engagement, in economic and diplomatic terms, but remain wary of the implications, particularly in military affairs. Japan’s engagement in the region is universally welcomed, but the consensus is that Tokyo underplays its hand. India’s increasing presence is welcomed, but its influence is nascent.
- Southeast Asian nations seek to engage all major powers but want no single power to dominate.

To better achieve U.S. interests in Southeast Asia, this report recommends the following:

- The United States should seek to reinvigorate its engagement of alliance partners Thailand and the Philippines to test the possibilities of greater strategic convergence and cooperation.
- The United States should take advantage of an apparent opening to steadily cultivate broader and deeper relationships with emerging powers Indonesia, Vietnam, and Malaysia.
- The United States should ensure that development of its bilateral (and potential unilateral) relationships complement its commitment to regionalism, particularly ASEAN.
- The United States should show up at the appropriate regional institutions at the appropriate level on a regular basis.
- The United States should work closely with leading Southeast Asian nations on economic issues as a core element in promoting the future of U.S. bilateral—and indeed regional—relations.

The United States in the end finds itself in an excellent, indeed advantageous, position in Southeast Asia. A reservoir of good will toward the United States remains extant in the region. Indeed, when a region desires more U.S. engagement, particularly a region as strategically important to U.S. interests as Southeast Asia, it would be foolhardy to ignore that circumstance or take it for granted. It requires that U.S. elites, although consumed by several other compelling immediate challenges, take a look again at a region largely neglected over the last generation or more, in order to consider longer-term strategic benefits. The Obama administration has gotten off to an excellent start in this regard and President Obama's planned trip to the region around the time of the APEC summit in November 2009 will likely provide further ballast. Persistence and follow-through are required, though, lest expectations raised are later dashed, leaving a trail of disappointment and missed opportunities for the United States in the heart of the Asia-Pacific region—the world's most dynamic, vital, and strategically important region in the twenty-first century.

# 1

## INTRODUCTION

Hillary Clinton's visit to Indonesia on her first trip abroad as U.S. secretary of state signaled that the Obama administration intends to pay Southeast Asia significant attention. This comes at a time when many Southeast Asian governments believe that the United States has neglected the region, particularly the Association of Southeast Asian Nations (ASEAN). Indeed, the United States has damaged its standing by failing to sign ASEAN's Treaty of Amity and Cooperation, failing to hold a U.S.-ASEAN summit, and not sending certain senior officials to key regional meetings in recent years. Yet the United States has a network of security partnerships in the region that have quietly—in the shadows—kept it deeply engaged in regional affairs. It has two longstanding treaty allies: Thailand and the Philippines. Singapore, although not an ally in name, is among the United States' most reliable security partners in Asia. Malaysia has long been a strong but quiet security partner. Partnerships with Indonesia and Vietnam have begun to develop over the past five years and offer considerable promise.

While deeper U.S. engagement with ASEAN as an organization will likely be part of President Barack Obama's approach to Southeast Asia, key U.S. interests in the region will continue to be pursued through these bilateral partnerships. To effectively leverage these partnerships though, we must first determine their current health. We also need to judge which partnerships in the region have the greatest potential for promoting U.S. regional and global interests in coming years. It must be determined if our interests are being met by our traditional bilateral alliances, or if there are other vehicles that should be considered to promote U.S. presence and influence. In a broad sense, we must determine whether we are adequately engaging regional organizations to achieve our strategic objectives or if our bilateral relations alone are sufficiently securing our interests.

We must consider all this in light of the evolution of strategic interests and policies of key regional developments, including a rising China, emerging India, and more assertive Japan. How do U.S. interests converge and diverge in this regard?

Finally, we need to take into account our partners themselves: how the region views U.S. global and regional strategy, and how they critique U.S. engagement and interests in Southeast Asia since the end of the Cold War. Fundamentally, we must ask what role regional states would like the United States to play in the region.

All together, the United States needs a comprehensive understanding and an integrated strategic approach to achieve its interests in Southeast Asia, something that does not currently exist given the paucity of attention in Washington, at both the official and unofficial level, toward the region.

It is our hope that this report will contribute to a more thoughtful, comprehensive approach to Southeast Asia.



The director of this project was Derek Mitchell, senior fellow and Asia director for CSIS's International Security Program and director of the CSIS Southeast Asia Initiative.<sup>1</sup> Brian Harding, research associate for the CSIS Southeast Asia Initiative, provided project management and research assistance.

The project began by commissioning resource papers by leading U.S. observers of the region to receive their informed perspectives on the economic, political, military, and geostrategic situation of the six subject countries. The papers examined the individual nations' perspectives on and relationship with the United States, as well as how these relationships fit into U.S. regional strategy and interests more broadly. Karl Jackson and William Wise wrote a paper on Thailand, Fred Brown wrote on Vietnam, Marvin Ott wrote on the Philippines, Walter Lohman wrote on Indonesia, Bridget Welsh wrote on Malaysia, and Matthew Daley wrote on Singapore. Sheldon Simon contributed a paper on Southeast Asia's relations with external powers, and Bronson Percival wrote on transnational threats in the region.

The project team convened two half-day "track 1.5" roundtable meetings and discussed four of the papers at each. The first examined Thailand, the Philippines, Vietnam, and Southeast Asia's external power relations; the second looked at Singapore, Malaysia, Indonesia, and transnational challenges. Roundtable participants came from academia, business, think tanks, and the U.S. government, including the Department of Defense, State Department, National Security Council, the Office of the U.S. Trade Representative, and Senate Foreign Relations Committee (see acknowledgments for a full list of participants).

After gathering U.S. perspectives at the first roundtable, the project team traveled to Thailand, the Philippines, and Vietnam in October 2008; after the second roundtable, they traveled to Singapore, Malaysia, and Indonesia in December 2008. They met with over 100 policymakers and leading elites—government officials, parliamentarians, academics, media, political leaders, business leaders—to explore regional trends and interests and how they relate to U.S. regional engagement.

It should be noted that CSIS undertook this project as the global economic crisis unfolded, coloring conversations in each country visited, particularly on the project team's second research trip in December 2008. And, with memories of the 1997–1998 Asian financial crises still fresh in people's minds, concern over the current state of the economy was evident, even if it was still too early to know the crisis's full political and strategic consequences.

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<sup>1</sup> Derek Mitchell left CSIS in April 2009 for a position in the Department of Defense. CSIS plans to name a new director of the Southeast Asia Initiative later in 2009.



The principal aim of this report is to inform the thinking of incoming officials in the Obama administration and to offer recommendations for achieving U.S. interests in Southeast Asia. However, as a significant review of U.S. policy in Southeast Asia, it is also intended to be a resource for analysts and students, both in the United States and in Southeast Asia.

The report is the product of the collective expertise of many individuals, including the authors, roundtable participants, and over 100 interlocutors. However, it is not a consensus document. The hope of all participants in this project is that it serves as a catalyst for other investigations of U.S. policy in Southeast Asia, a field that has been conspicuously neglected in the Washington policy community.

# 2

## THAILAND

Since the U.S. withdrawal from Vietnam in 1975, relations between the United States and Thailand have seen marked and sometimes contentious periods of adjustment, despite a foundation that essentially remains strong. Over the past three decades, the central challenge has been to redefine the relationship in the face of broad new trends: a changing security environment; growing Asian regionalism; a proliferation of rising powers; and generational shifts. U.S.-Thailand relations have also been affected in recent years by occasional economic disputes and conditions that have eroded confidence between the two countries. The war in Iraq has strengthened anti-Americanism in some quarters in Thailand, while the three-year Thai political crisis has made some Americans question Thailand's steadiness as a partner. Political transitions in both countries offer the possibility for a renewal of relations, but more deeply seated and longstanding issues should not be underestimated.

### Summary Recommendations

- Continue a neutral and hands-off approach to Thailand's domestic political difficulties, but be ready to help strengthen democratic institutions if Thais request that assistance.
- Raise the level of the strategic dialogue with Thailand's defense sector in an effort to update and reinvigorate the alliance.
- Focus "soft power" efforts on the younger generation of Thais.
- Take advantage of Thailand's current leadership role in ASEAN to help strengthen U.S. relations with ASEAN.
- Pay greater attention to dynamics on mainland Southeast Asia, particularly in areas such as Mekong River regional development and the security and economic development of the smaller states.

### Background

In 2008, the United States and Thailand marked the 175th anniversary of the Treaty of Amity and Commerce, which makes the relationship the United States' oldest in Asia. The 1833 treaty was emblematic of Thailand's strategy of forging a broad spectrum of agreements with external powers to prevent colonization by any one country. Commercial treaties often included provisions for binational consular courts, a popular nineteenth-century mechanism that enabled

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## THAILAND

- Population: 65,493,296 (2008)
  - GDP: \$272.1 billion (2008)
  - Top Five Trading Partners (2007)
    1. Japan (\$46.8 billion)
    2. China (\$31.2 billion)
    3. United States (\$28.9 billion)
    4. Malaysia (16.5 billion)
    5. Singapore (\$15.9 billion)
  - U.S. Trade Deficit with Thailand: \$9.6 billion (2007)
  - Top U.S. imports from Thailand
    1. Electronics
    2. Heavy machinery
    3. Fish, crustaceans, and edible preparations thereof
  - Top U.S. Exports to Thailand
    1. Electronics
    2. Heavy machinery
    3. Metals (including iron and steel), metal tools, and metal manufactured goods
  - Stock of Thai FDI in the United States: \$335 million (2007)
  - Stock of U.S. FDI in Thailand: \$15 billion (2007)
  - Thai Visitors to the United States: 69,236 (2007)
  - U.S. Visitors to Thailand: 681,972 (2008)
  - Thai Students in the United States: 9,004 (2007)
  - U.S. Students in Thailand: 1,584 (2007)
  - U.S. Foreign Assistance to Thailand (FY2008): \$6,452,000
    - Public Health: \$992,000
    - Security: \$5,460,000
  - Major Agreements/Documents
    - Treaty of Amity and Commerce: March 20, 1833
    - Manila Pact of the Former Southeast Asia Treaty Organization: February 19, 1954
    - Thanat-Rusk Joint Statement: March 6, 1962
    - Bilateral Trade and Investment Framework Agreement: October 23, 2002
    - Thailand Designated as Major Non-NATO Ally: December 2003
  - U.S. Arms Sales to Thailand, 2000–2006: \$406 million (55.2% of the Thailand's total arms imports)
  - Military Exchanges, Exercises, and Ship Visits: 107 total events in FY2007(below normal levels due to restrictions post-2006 coup)
-

foreign powers to safeguard their economic trade and investments and, presumably, decreased their appetite for annexing territories outright.

This policy of balancing powers was successful for the most part and enabled Thailand to remain independent, a rare case in the Southeast Asia region, which had seen colonization by Britain, France, the Netherlands, Spain, Portugal, and the United States. The hallmarks of Thai policy toward the West in the nineteenth century—seeking equilibrium in external relations and stressing compromise over confrontation—became the foundation for modern Thai foreign policy. Avoiding colonization also gave Thailand a political and social history that, compared to its neighbors, allowed indigenous social and political institutions to evolve. This did not, however, render Thailand insular. On the contrary, it left the country's rulers free to pick and choose among foreign influences, which it did freely. By the early twentieth century, Thailand had a parliament modeled after the Westminster system, a judiciary that resembled Continental code systems, and a military organized along the lines of czarist Russia. As an independent nation, Thailand was a signatory of the Treaty of Versailles and joined the League of Nations.

However, the advent of the Cold War caused Thailand to deviate from its customary, omnidirectional foreign policy and enter into a closer relationship with the United States. New agreements for economic, technical, and security cooperation were forged in 1950. In 1954, on the heels of the Geneva Conference that partitioned Vietnam, Thailand was among the U.S. allies in the region that signed the Southeast Asia Collective Defense Treaty, also known as the Manila Pact, which established the Southeast Asia Treaty Organization (SEATO). Thailand's status as an ally and its central location in the region were reflected in the decision to locate the SEATO headquarters in Bangkok.

As the Vietnam War accelerated, U.S.-Thailand security cooperation strengthened rapidly. This new relationship was an outgrowth of the Manila Pact and of such agreements as the Thanat-Rusk Communiqué of 1962, which expanded on the Manila Pact principles to include bilateral U.S.-Thailand security cooperation. Thailand sent troops to Vietnam, as it had to Korea during that war. From 1962 to 1975, which many Thais call the "American period," this new relationship translated into nine joint U.S.-Thai bases on Thai territory, tens of thousands of U.S. military personnel and several thousand more as tourists from Vietnam for "rest and rehabilitation," and sizeable military assistance and economic development programs. American influence on the Thai system was also evident. For example, in this period the czarist organization of the armed forces was replaced with the West Point system.

Thai policymakers in this era were often conflicted in their views of the United States. The closeness of the relationship and the presence of U.S. troops and the joint bases on Thai territory implied a loss of sovereignty, if only in degree, but it was a tradeoff that Thais judged to be essential for their security. At the same time, Bangkok worried that Washington might withdraw from Southeast Asia or agree to compromises that would imperil Thailand's independence. For example, U.S. accession to the Geneva Accords of 1962, which partitioned Laos along political

lines, alarmed Thai officials. Although Thailand signed the agreement, Foreign Minister Thanat Khoman declined to put his own signature on it.

The abrupt end of the Vietnam War only reinforced this dichotomy in Thai attitudes toward the alliance. Disillusionment with the war and with Thai military governments backed by the United States had been one factor fueling the student-led revolution of 1973 that put the civilian government of Kukrit Pramoj into place. At the same time, the Thai defense sector was alarmed by the rapid fall of Saigon and opened a diplomatic window with Beijing to guard against a feared invasion from Vietnam. The withdrawal of U.S. forces from the joint bases in 1976 was a mutual decision and was arguably inevitable, but it underscored Thailand's new vulnerability. It did not signal the end of the U.S.-Thailand security alliance, but it did put the relationship on a new path.

In the second half of that decade Thailand experienced a return to military rule and struggled to address a Communist insurgency in its northeastern region. Thailand's status as the frontline state in the Cambodian civil war gave it new salience in U.S. policy, but with greater distance built into the relationship, Bangkok began a slow process of rebalancing its foreign relations. During this time, U.S. security and economic assistance were still important in Bangkok's view, but the fraternal relationship between the two militaries was already starting to fade. Thailand's economic development advanced in the 1980s, and it was on track to "graduate" from U.S. assistance at the end of the decade.

In the 1980s and 1990s, economic issues shaped the bilateral relationship and introduced new sources of friction. In the late 1980s, U.S. requirements that Southeast Asian trading partners pass legislation to protect American copyrights or face sanctions were met with compliance in Indonesia, Malaysia, and Singapore, but raised hackles in Thailand's newly democratic political system. Economic issues in the relationship played a more dramatic role in 1997 when the Asian financial crisis hit. In the eyes of many Thais, the reluctance of the United States to offer immediate bilateral assistance at this time was viewed as a betrayal of a longstanding relationship, although it is less often noted that the United States did provide support funds when the first wave of the crisis had abated and a more stable government was in place in Bangkok.

In these two decades the nature of security threats in Southeast Asia also began to change. Vietnam's withdrawal from Cambodia, and the Paris Peace Accords that ended the Cambodian civil war, enabled the Communist and non-Communist nations of Southeast Asia to normalize relations and diminished the security threat in that divide significantly. Thailand was no longer a frontline state, but it was host to a number of nontraditional security threats. In the 1980s, half of the heroin entering the United States originated from the "Golden Triangle," the area comprising northern Thailand, Laos, and Burma. U.S.-Thailand cooperation on counternarcotics was largely effective and helped to stem the flow of narcotics from northern Thailand to trade routes throughout the region. By contrast, nascent cooperation with Burma proved unsuccessful and was ended in 1988. In the 1980s, Thailand also became a focal point of the HIV/AIDS epidemic in Southeast Asia, coping with the problem at the same time that the United States faced its own epidemic.

Because of its central location in mainland Southeast Asia, Thailand risks being a turnstile for a broad spectrum of nontraditional security threats, and security cooperation with the United States has focused increasingly in this area. The establishment of the International Law Enforcement Academy (ILEA) in Bangkok in 1998 was a bilateral initiative. The ILEA aims to strengthen regional cooperation to combat transnational threats ranging from drug and human trafficking to illegal financial flows.

But a second set of new tensions surfaced in U.S.-Thailand relations when a military coup in Thailand in 1991 led to the suspension of U.S. security assistance, due to a provision of the Foreign Assistance Act that requires such sanctions when an elected government is overthrown. Thailand had quietly entered into a democratic transition in the 1980s without the attention and tutelage of the United States that would come with similar transitions in other countries when the Cold War ended. After the fall of the Berlin Wall, however, Thai politics and the democratization process came under a scrutiny that some Thais found difficult to understand.

These episodes in the 1980s and 1990s underscored to both countries that the relationship had changed from a Cold War alliance, in which all elements supported mutual security concerns. This shift had obvious advantages and disadvantages. Firewalls in policy areas enable some aspects of the relationship to proceed relatively undisturbed when there is friction in others. For example, the U.S. threat of sanctions in the 1980s on intellectual property grounds did not disrupt the security relationship in any significant way. On the other hand, the lack of linkage makes it more difficult to invoke the strength and history of the broader relationship to reduce conflict on a specific issue. The United States discovered this in the late 1980s with the copyright legislation, and Thailand was reminded of it during the Asian economic crisis. This new architecture has contributed to what many analysts and policymakers in both Thailand and the United States consider to be a growing drift in the relationship.

## State of Play

### Political and Social Issues

Thailand's foreign policy has been constrained by a prolonged period of political conflict that has given the country five governments in three years and forced a change of constitutions. U.S.-Thailand relations have been affected by domestic political events in Thailand, although the broad parameters of the relationship have been maintained.

Bangkok has been inward looking as it attempts to resolve serious issues of money and politics, civil-military relations, and urban-rural divides. The current situation was engendered by rising resistance in the Bangkok political classes to the administration of Prime Minister Thaksin Shinawatra in the first half of the decade. By 2006, popular disapproval had found an organizational outlet, the People's Alliance for Democracy (PAD), which mounted large-scale demonstrations against Thaksin. The prime minister's attempts to quell the protests with a special election went awry when opposition parties boycotted the polls, and Thaksin's Thai Rak Thai

Party was eventually dissolved by the courts for paying candidates to run against it and thus trying to legitimize the election. By the fall of 2006 political tensions had risen dramatically, and in September, Thai military leadership launched a coup, deposing Thaksin and setting aside the 1997 Thai constitution.

At the time, the coup enjoyed some support in Bangkok—one Thai analyst described it as “deplorable but necessary.” However, the interim administration following the coup disappointed many Thais. In 2008, elections returned the Thai Rak Thai party to power through a second-generation party, the People’s Power Party, and revived PAD protests. The PAD became increasingly bold, seizing the prime minister’s office in August and closing Bangkok’s international airport for three days in November. By the year’s end, Thailand had had three prime ministers, and an administration that some considered to represent the status quo ante settled in: a broad coalition government headed by Prime Minister Abhisit Vejjajiva, leader of the Democrat Party, Thailand’s oldest political party.

To date, this coalition has held, but the events of 2008 sparked a counter-protest movement led by the Union of Democrats against Dictatorship (UDD), considered to support former prime minister Thaksin. After returning briefly to Thailand in 2008 to face legal charges, Thaksin has remained outside the country in self-imposed exile. Taking a page from the PAD book, the UDD was successful earlier this year in shutting down a meeting of the Association of Southeast Asian Nations (ASEAN) in Pattaya, a move that caused great embarrassment for the government. Street violence quickly moved to Bangkok and was resolved through a brief state of emergency and police crackdown. Political tensions have abated somewhat as Prime Minister Abhisit has attempted to reconcile pro-Thaksin and anti-Thaksin forces in parliament, but it is reckoned to be a fragile calm.

## **Economic Relations**

U.S.-Thailand trade and investment are a central factor in the relationship. The United States is Thailand’s second-largest trading partner, behind China, and its largest export market. In this ranking, it is worth noting that Thailand tends to export more raw materials and agricultural products to China, while the United States and other Western trading partners are the destination for light manufacturing. Although Japan is Thailand’s largest investor, the aggregate foreign investment in Thailand over the past 30 years makes the United States its largest longstanding investor.

Despite the economic stake that Thailand and the United States have in one another, trade has been the most constant source of tension in the relationship for the past two decades. Attempts to negotiate a U.S.-Thailand Free Trade Agreement (FTA) foundered in 2006, partly because of the political situation in Thailand but also because of Thai domestic resentment of U.S. demands, particularly on pharmaceuticals. There have been no concerted attempts to revive the FTA since then, and for reasons on both sides, this is not likely to be a front-burner item in the near future. Apart from this issue in the FTA, there have been tensions over mandatory licensing of

pharmaceuticals and, more recently, over the U.S. ban on imports of Burmese gems, which have affected Thai jewelry manufacturers. More generally, some Thai policymakers and businessmen have expressed nervousness over surging U.S. interest in Vietnam as a trading and investment partner.

In the past year, in large part as a result of the current economic crisis, Thai exports in general have fallen more than 3 percent, but that is not as serious a drop as in some ASEAN countries, such as Malaysia and the Philippines. Although the crisis is clearly taking its toll in Thailand, some economists believe that it has been cushioned by reforms put into place after the 1997 financial crisis, which began in Thailand.

## Security Relations

Although diminished in scope since the Vietnam War era, the U.S.-Thailand alliance continues to be a multifaceted relationship with a number of distinct elements: an ongoing strategic dialogue; a program to promote military-to-military relations; Thai support for U.S. military operations (such as flyover permission for U.S. planes headed for Afghanistan); U.S. security assistance and Thai acquisition of U.S. military equipment; cooperation to combat nontraditional security threats, as noted above; and intelligence cooperation. The extent of each of these features changes as the broader relationship changes. For example, Thailand no longer purchases military equipment solely from the United States but has diversified its procurement, particularly in the last decade. Bangkok has purchased equipment from China, Sweden, and Ukraine in recent years.

Without doubt, the events of September 11, 2001, and the U.S. war against terrorism have changed the tenor of the U.S.-Thailand security relationship. Thailand supported the U.S. intervention in Afghanistan, choosing as did several other countries to view it as an act of self-defense, but Prime Minister Thaksin initially attempted to remain neutral in the Iraq War. Pressure from Washington led Thaksin to change his position, and Thailand sent a small contingent of medical and other support personnel to Iraq. Two Thai soldiers were killed there. Thailand fulfilled its obligation under the agreement with the first contingent, and there has been no new agreement to provide further troops to Iraq. Thailand has also been a strong, but at times controversial, partner for U.S. counterterrorism efforts. This came to light with news that the CIA had been operating a secret prison in Thailand since 2002. A tangible outcome of close counterterrorism cooperation came with the capture of Riduan Isamuddi, also known as Hambali, a high-level operative of the Jemmah Islamiyah, in Thailand in 2003.

Even more sensitive is Thailand's own problem with a Muslim-based insurgency and communal violence in the four southern-most provinces. Although the conflict is not yet fully understood, a consensus holds that it is localized and not waged by an al Qaeda or Jemmah Islamiyah franchise. The current insurgency is thought to be a second-generation iteration of the Islamic separatist movement in Thailand in the 1970s. However, the conflict may be less about political separation and more about the root causes of discontent in the Muslim-majority provinces, ranging from a hard-line approach by some previous governments to economic and educational disparities

between Muslims and Buddhists in these provinces. Bangkok and Washington agree that there is little that the United States can do through the security relationship to ameliorate the situation at this time; thus, there are no plans for joint exercises or other activities. However, through the U.S. Agency for International Development and nongovernmental organizations, the United States is able to provide some assistance to help address social and economic issues in the south.

The U.S.-Thailand alliance also plays a part in U.S. configurations for flexible basing arrangements in Asia and the so-called lily pad of agreements that would allow U.S. troops to make use of Asian bases and ports on a mutually agreed basis. One clear example of this was the use of Utapao airbase in southern Thailand as a regional hub for U.S. relief in the 2004 tsunami. One of the nine joint bases during the Vietnam War era, U.S. forces returned to Utapao in 2004 for one month. Both the United States and Thailand view this as one example of a cooperative and forward-looking security arrangement.

## Findings

During a research trip to Bangkok in October 2008, CSIS investigators met a very broad range of interlocutors. As with other Southeast Asian countries visited for this project, this research trip took place just as the economic crisis was unfolding in the United States. Although the crisis was only beginning to impact Southeast Asia at that time, and despite ongoing political tensions that month, Thai interlocutors were more wary of the crisis than some other Southeast Asians, no doubt because of the 1997 Asian financial crisis that began in Thailand.

- *Although the Iraq War has taken its toll on the U.S. image in Thailand, relations are still strong on a people-to-people level.* During the Cold War, everyday Americans were likely to have contact with Thailand because of or through the Vietnam War. This was also the foundation for training a generation of Thai and Southeast Asia specialists in the United States. Today, Thailand is associated more as a tourist destination and as a hub for adventure travel. Thailand also draws Americans who are attracted to Buddhism, the fastest-growing religion in the United States, and who seek out Thai temples for retreats and educational purposes.

One factor in societal relations is the role of the Thai-American community, which exerts a positive, if low-key influence. In contrast to immigrant groups from Vietnam, Laos, and Cambodia, many of whom arrived in the United States as refugees from the Vietnam War, the Thai-American community is generally apolitical, although they have been more assertive in the face of political conflict in Thailand in recent years. Most Thai-Americans have emigrated for marriage or other family reasons, business, or education, and they maintain strong ties with their ancestral homes.

- *Many Thais feel that Americans are too impatient with the difficulties in Thailand's political process and make little effort to understand their complexities.* The source of this tension tends to focus more on the 2006 coup than on political events since then. Although Thai interlocutors generally accepted that the "military coup clause" of the Foreign Assistance Act would automatically apply to the situation in 2006, they viewed the broader U.S. government

response as too rigid and too narrow. Specifically, they expressed dismay that elections seemed to be regarded as the sum total of democracy and that some U.S. policymakers did not grasp the nuances of how democratic systems can be subverted when elected politicians use power for undemocratic ends. Other interlocutors raised this point less as a complaint against the United States and more as a plea for understanding as Thailand attempts to work out complicated political issues.

- *There are genuine differences of perception and opinion between Thais and Americans over the rise of China.* With Cold War threats having largely receded in Southeast Asia, Thailand's foreign policy has returned gradually to its historic preference for equilibrium in relations with major powers. In the past two decades, this has translated into forging closer relations with China. Some Americans, who are more inclined to see great power competition in zero-sum terms, find this difficult to accept. Thai interlocutors saw no contradiction in Bangkok's maintaining strong relations with both Washington and Beijing and pointed out that strong ties with one was an insurance policy against the downside of relations with the other. The U.S.-Thailand security alliance, and the broader U.S. security umbrella in Asia, enables Thailand to pursue close economic relations with China. At the same time, stronger relations with Beijing, particularly in the economic realm, could mitigate the impact of the episodic quality of U.S. interest in Southeast Asia and guard against overdependence on any one trading partner. The current economic crisis offers some support for this strategy.

Apart from this tactical position, Thai interlocutors reported that there seems to be a genuine disagreement in perception—Thais are less inclined to view a rising China as a threat than are many Americans. This may be because Thai policymakers are more inclined to base their views of China on Beijing's Southeast Asia policy, while U.S. policymakers are more focused on security threats in Northeast Asia and the South China Sea.

- *Some Thais believe that U.S. policy in Southeast Asia needs to be rebalanced.* Specifically, Thai interlocutors felt that the U.S. focus on counterterrorism after 2001 had caused Washington to concentrate too much on Indonesia and Malaysia, Southeast Asia's Muslim-majority countries. Others felt that the United States has favored Vietnam since the normalization of trade relations, particularly in recent years as the Vietnamese economy has made it a star performer in Southeast Asia. Their point was not that Thailand should be in first place in U.S. policy toward Southeast Asia, but that the United States should distribute its attention more evenly over the region.
- *Thais continue to value the alliance with the United States but believe an effort is needed on both sides to redefine and renew it.* Although the broad scope and intensity of the U.S.-Thailand alliance is the baseline comparison, no interlocutors favored a return to that model for the security relationship. They complained, however, that the current alliance lacks a clear rationale and that it is increasingly difficult to convince younger generation Thais of its importance. Interlocutors from the military downplayed the significance of Thailand's designation as a "major non-NATO ally" in 2003 and felt that it had no tangible impact on

the alliance. A broader point was that the United States itself seems to be unclear on what it wants from its treaty allies in Southeast Asia and indeed whether the alliance structure is even important anymore. They pointed out that the United States tends to focus more on Singapore in security relations with Southeast Asia and that Washington has exerted more effort in reestablishing a security relationship with Indonesia than in renewing alliance relations with Thailand. And, like other Southeast Asian interlocutors, Thais complained that the procurement process for U.S. military equipment is daunting and that other partners are often more willing to negotiate in this regard.

- *Compared to the United States, and even to some other Southeast Asian nations, Thailand is more inclined to see ASEAN as a vehicle for regional cooperation.* One plank in Bangkok's platform of an omnidirectional foreign policy favors stronger regional institutions and more extensive ties between ASEAN and its external partners. In contrast to some governments in the region, Thailand is more inclined to include the United States in Asian regional frameworks, and Bangkok has been vocal in advocating that the United States sign the ASEAN Treaty of Amity and Cooperation. A related point that interlocutors raised was U.S. attention to the political situation in Burma, which some felt was too narrowly focused and unrealistic in expectations for change. They advocated that Washington and other regional powers take a more regional approach to promoting change there and, more importantly, that U.S. policymakers listen more closely to what Burma's neighbors collectively believe is possible to achieve.

## Recommendations

- *In general, continue a neutral and hands-off approach to Thailand's domestic political difficulties, but be ready to help strengthen democratic institutions if Thais request that assistance.* The 2006 coup notwithstanding, this has generally been the position of the United States in the face of the political unrest of the last three years and should be maintained. U.S. policymakers realize—and have publicly stated—that Thailand must ultimately resolve its own political problems. However, in recent months Bangkok has indicated that a joint initiative to address some problems in Thailand's democratization would be useful, in areas such as constitutional reform, strengthening the judiciary, and improving government accountability. This need not be a costly undertaking—the Thai government has indicated that it could bear many of the costs itself—but would stress technical cooperation and dialogue on ongoing issues in democratic development.
- *Raise the level of the strategic dialogue with Thailand's defense sector in an effort to update and reinvigorate the alliance.* Although the U.S.-Thailand security alliance pursues an impressive range of activities, it lacks coherence and clear objectives. American analysts point out that strategic dialogue with allies in Northeast Asia is held at the ministerial level but is delegated to lower levels in Southeast Asia. A period of high-level discussion on the U.S.-Thailand alliance could be useful in helping to redefine the alliance. This dialogue might cover threat

assessments; mutual strategic objectives; and ways to strengthen fraternal ties between the two militaries. In the last regard, Thais are particularly concerned that the security relationship be insulated from sanctions if Thailand should undergo another period of political instability. That might be accomplished by supplementing the International Military Education and Training (IMET) program with more informal military-to-military exchanges.

- *Focus “soft power” efforts on the younger generation of Thais.* The younger generation has lost the sense of a “special” U.S.-Thailand relationship that their elders had adopted during the Cold War, a trend that has been exacerbated by the cultural impact of globalization. The United States should not attempt to dominate the global marketplace of popular culture but should emphasize points of commonality and mutual interest in people-to-people relations. Two policy initiatives might be considered in that regard. First would be a more fulsome revival of American studies in Thai educational institutions. The Thai government has devoted some funds for this purpose in recent years, but a larger contribution from the U.S. side is needed. Second, exchange programs should work with younger generation leaders in both government and civil society and help them to build contacts with their counterparts in the United States.
- *Take advantage of Thailand’s current leadership role in ASEAN to help strengthen U.S. relations with ASEAN.* Thailand’s position as the 2009 ASEAN chair, the tenure of a Thai ASEAN secretary-general, and Bangkok’s general inclination to include the United States in regional institutions make the U.S.-Thailand relationship an asset in strengthening U.S. participation in the ASEAN process. Thailand has never claimed a leadership role in ASEAN, as Indonesia did in the Suharto years, but it was a founding member and has contributed to the architecture and the general direction of ASEAN. For example, in 1998 Thailand proposed that ASEAN move from its traditional principle of noninterference in the affairs of member states to a policy of “flexible engagement,” permitting the association to intervene if a member’s actions were affecting its neighbors. The proposal was not formally adopted, but ASEAN has moved closer to this concept in the intervening years. Beyond general dialogue between the United States and Thailand on ASEAN affairs, Thailand could be instrumental in some specific U.S. policy objectives. For example, if the United States moves briskly toward signing the ASEAN Treaty of Amity and Cooperation, Bangkok would be well placed to facilitate U.S. entry into the East Asia Summit.
- *Pay greater attention to dynamics on mainland Southeast Asia, particularly in areas such as Mekong River regional development and the security and economic development of the smaller states.* Thailand may not fear that a closer relationship with China will threaten Thai sovereignty, but some Thai analysts and policymakers are concerned about the impact of Chinese investment, trade, and immigration in the poorer countries of mainland Southeast Asia. To some extent, Vietnam is beginning to express concerns in this area as well. In the past decade, Thailand has developed assistance programs for some of its neighbors, and Thai nongovernmental organizations and advocacy groups are often the strongest voices in expressing concern over issues such as development of the Mekong River. Greater U.S. policy

attention to the northern tier of Southeast Asia would complement and strengthen Thai efforts in this regard.

# 3

## THE PHILIPPINES

The relationship between the United States and the Republic of the Philippines (RP) is arguably the most complex in Southeast Asia for the United States. Tied together by history, culture, and demographics, the two countries nonetheless have had to overcome the legacy of colonialism, and a sharp cooling period in the immediate aftermath of the Cold War, to become and remain treaty allies to the present day. The alliance partnership was revitalized following September 11, 2001, when the two countries found a new common agenda to suppress al Qaeda–affiliated Islamic extremism operating out of the southern Philippines. The result was renewed attention in Washington to the relationship, particularly within the Pentagon, leading to the designation of the Philippines as a “major non-NATO ally” in 2003.

Nonetheless, the U.S.-Philippines relationship remains fraught with controversy and difficulty, both political and operational. Although a vast majority of Philippine citizens are pro-American in instinct and attitude, a minority of Leftist politicians raise questions about relations with the United States that constrain the development of ties. Rampant corruption, a lack of strategic thinking, and overall degradation of political, economic, and military capabilities in the Philippines have led countless U.S. diplomats and alliance managers to throw up their hands in frustration over the viability of the U.S.-Philippine partnership—at least in areas other than addressing the southern Philippines problem. President Gloria Macapagal-Arroyo’s apparent accommodation of China in several arenas has also raised questions about whether the Philippines may be leaning proactively toward China as Chinese power rises, even playing a “China card” to gain leverage against the United States on specific issues.

The tight personal bond a vast majority of Filipinos feel toward the United States, and the Philippines’ strategic geography astride important sea-lanes, provide ballast to the often troublesome relationship. Indeed, despite ups and downs, the alliance has a historical legacy and foundation that should not be dismissed lightly. The question is to what degree the alliance retains strategic and operational value, and whether the relationship has unrealized potential, despite the apparent constraints. A close examination of developments in the relationship in recent years, and interviews with Philippine counterparts, reveal some important progress in ties over the past decade and many opportunities for further progress, but lingering frustration about continuing constraints and limitations.

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## PHILIPPINES

- Population: 96.1 million (2008)
  - GDP: \$168.6 billion (2008)
  - Top Five Trading Partners (2007)
    1. United States (\$16.5 billion)
    2. Singapore (\$14.1 billion)
    3. Japan (\$9.6 billion)
    4. China (\$9.4 billion)
    5. Hong Kong (\$8.0 billion)
  - U.S. Trade Deficit with the Philippines: \$578 million (2007)
  - Top U.S. imports from the Philippines
    1. Electronics
    2. Apparel and footwear
    3. Heavy machinery
  - Top U.S. Exports to the Philippines
    1. Electronics
    2. Food, grains, cereals, seeds, plants, fruit, animal feed, dairy products, meat, etc.
    3. Plastics and articles thereof
  - Stock of U.S. FDI in the Philippines: \$6.6 billion (2007)
  - Stock of Philippine FDI in the United States: \$67 million (2007)
  - Philippine Students in the United States: 3,976 (2007)
  - U.S. Students in Philippines: 130 (2006)
  - Philippine Visitors to the United States: 153,887 (2007)
  - U.S. Visitors to Philippines : 578,246 (2008)
  - U.S. Foreign Assistance to the Philippines (FY2008): \$116,618,000
    - Public Health: \$24,967,000
    - Economic Development: \$56,703,000
    - Security: \$36,557,000

The Philippines joined the Millennium Challenge Corporation Threshold Program in 2006 and named compact eligible in 2008. It is currently developing a compact proposal.
  - Major Agreements/Documents:
    - Military Bases Agreement: March 21, 1947
    - Mutual Defense Treaty: August 30, 1951
    - Visiting Forces Agreement: February 1998
    - Major Non-NATO Ally: October 6, 2003
  - U.S. Arms Sales to Philippines, 2000–2006: \$59 million (70.4% of the Philippines's total arms imports)
  - Military Exchanges, Exercises, and Ship Visits: approximately 200 total events (FY2007)
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## Summary Recommendations

- Continue to develop the quiet progress in U.S.-RP defense relations in recent years.
- Do not make permanent basing in the Philippines the focus of U.S. defense policy toward the country.
- Consider increasing aid funding for the Philippines as a strategic element in the relationship.
- Be careful not to suggest in word or deed that the alliance is directed at third countries such as China.
- Express strong, public U.S. commitment to peaceful, noncoercive resolution of the South China Sea dispute—but support the Philippines where reasonable and possible.
- Keep ambitions for the alliance modest, but do not dismiss or undersell the value of the relationship.

## Background

Following the Spanish-American War of 1898, the Philippines became the first and only U.S. colony in the Asia-Pacific region. Despite intense violence to suppress Philippine nationalism during U.S. colonialism's earliest days, U.S. rule over time became the foundation for a tight personal bond between the American and Philippine people, a bond cemented after a common experience of intense suffering under—and resistance to—Japan's brutal occupation of the islands during World War II. The United States granted the Philippines independence in 1946.

The two countries agreed soon thereafter that the United States would continue to take responsibility for the defense of the Philippines and would establish military bases on the islands for that purpose. The Philippine-American Military Bases Agreement of March 14, 1947, and the 1951 U.S.-Philippine Mutual Defense Treaty provided the legal basis for this arrangement. The two primary U.S. military installations were Clark Air Base and Naval Station Subic Bay, both located on the main northern island of Luzon near the capital of Manila. Clark became the logistical hub for the U.S. Thirteenth Air Force, while Subic offered repair and resupply facilities for the U.S. Seventh Fleet. Together, U.S. military presence in the Philippines served as the anchor for U.S. operations and security commitments in Southeast Asia during the Cold War.

Under the 1947 agreement, the United States also allowed Philippine citizens to join the U.S. Navy, a unique arrangement with roots as far back as 1898 but whose perpetuation following Philippine independence served as an emblem of the continued close association and personal bonds of trust and friendship that remained between the two peoples and the two security establishments for years thereafter. From the 1950s through the 1970s, the Philippines deployed ground forces to support the United States during the Korean and Vietnam Wars. During the Vietnam War, U.S. bases in the Philippines served as central logistical, repair, medical, and rest-and-recreation locations.

The decline of Philippine democracy into dictatorship under Ferdinand Marcos in the 1970s and 1980s marked a turning point in Philippine political and economic well-being and in U.S.-Philippine relations. Once a professional apolitical force, the Armed Forces of the Philippines (AFP) gradually fell under Marcos's personal control. A rural Marxist insurgency, the National Peoples Army (NPA), grew stronger in the face of economic and social inequity, increasing corruption, and political suppression and malfeasance.

For a while, anti-Communist Cold War imperatives shielded Marcos from fulsome U.S. condemnation and withdrawal of support for his mis-rule. However, the combination of the public assassination of opposition leader Benigno Aquino, blatant attempts to rig the 1986 election, and finally a "people power" movement of street demonstrations in which both the military and Catholic Church hierarchy turned on Marcos finally did the trick. The Reagan White House added its voice publicly and privately to the din, and Marcos resigned in February 1986.

As a result, Philippine domestic affairs by the late 1980s began to overshadow the security relationship. The ascendancy of Corazon Aquino as president created new affection in the United States for the Philippines. However, it also unleashed new popular sentiment not only among leftists but also many average Philippine citizens against continuation of the U.S. military base presence as a violation of national dignity and sovereignty. Even many within the Philippine elite argued that the U.S. presence was causing the Philippine military to rely too much on the United States and neglect its own naval and air forces. An interim arrangement in 1988 extending the base agreement until September 1991 only postponed the day of reckoning.

After the volcanic eruption of Mount Pinatubo in 1991 rendered Clark Air Base inoperable and the Philippine Senate rejected (by a single vote) a new base agreement in 1992, the United States pulled its forces out of the Philippines, leading to a severe cooling-off period in bilateral relations as each side nursed the wounds resulting from their spurned partnership. U.S. security assistance fell to minimal levels, and U.S. strategic planners bypassed the Philippines in their calculations (albeit with one eye on its continued strategic location). The termination of the 1947 bases agreement also meant the end to recruitment of Philippine citizens into the U.S. Navy, marking the end of an era and of a critical personal bond between the two militaries.

The development of a vibrant, if rather chaotic (and often corrupt), democratic polity in the Philippines in the post-Marcos era appealed to U.S. sensibilities at one level but also created uncertainty about the strength and reliability of Philippine partnership. The United States remained the Philippines' largest foreign investor, assisted by reforms that gradually opened the closed Philippine economy, and trade continued to expand. The relationship also remained important to U.S. society and political leaders due in great part to the 4 million Filipino-American citizens—the second-largest Asian-American community in the United States—who have formed strong, cohesive communities that remain deeply committed to promoting healthy bilateral relations.

The discovery in 1995 that the Chinese Navy had built permanent facilities on Mischief Reef in the South China Sea served as a wake-up call to the Philippines and began the slow rapprochement

between security establishments in Washington and Manila. Although the United States refused to consider Philippine territorial claims in the South China Sea, including Mischief Reef, as being within the scope of the 1951 Mutual Defense Treaty, the Philippines agreed to start discussions on a Visiting Forces Agreement (VFA) to allow for reentry of U.S. forces onto the islands for training, exercises, and other temporary in-country military-to-military engagement between the two countries. The VFA was signed in January 1998 and passed by the Philippine Senate in May 1999.

As a result, the Philippines became a candidate to receive items under the U.S. Excess Defense Articles program and for financial assistance under the Foreign Military Financing program. The U.S. Defense Department also began to institute a program to assist the Philippines with its defense budgeting and planning.

Nonetheless, it took the September 11 attacks in 2001 to revive the U.S.-Philippine relationship. President George W. Bush labeled Southeast Asia the “second front” in the war on terrorism. The presence of al Qaeda–affiliated groups and individuals in the southern Philippines in particular—including the Abu Sayyaf Group, which had held three Americans hostage for months before and after 9/11—and the presence of training facilities in the region used by al Qaeda networks led to a new recognition of mutual interest. Manila offered U.S. forces access to Philippine ports and airports and granted U.S. aircraft over-flight rights (largely for surveillance purposes).

Beginning with the “Balikatan,” or “shoulder-to-shoulder,” joint exercise in February 2002, more than 1,000 U.S. military personnel reengaged on Philippine soil to provide logistical support, intelligence information, military equipment, operational planning assistance, and tactical advice to local Philippine forces fighting the guerrillas. The Philippines became the locus of the only U.S. ground combat forces deployed overseas in direct support of the “global war on terror” besides those engaged in Afghanistan and Iraq. In the process, U.S. assistance to Philippine military modernization gained renewed momentum, with practical real-world applications.

In keeping with the Philippine constitution, U.S. military personnel in the southern Philippines were not allowed to engage in direct combat or otherwise use force except to defend themselves. Aside from that restriction, however, U.S. security ties with the Philippines expanded greatly in ensuing years. The number of exercises in which the United States engaged on Philippine soil jumped significantly, to the point where a former U.S. ambassador called U.S. presence “semi-continuous.”

In November 2002, the United States and the Philippines concluded a Military Logistics and Support Agreement that potentially enables the United States to use the Philippines as a military supply base for activities both inside and outside the country. The Philippines also became a leading supplier of new U.S. “cooperative security locations (CSLs),” facilities to which U.S. forces have ready, regular, and predictable access but of which host nations retain ownership. Refurbished facilities at Subic and Clark, among other sites, have become potential sites of such CSLs.

Beginning in 2002, the United States established Joint Special Operations Task Force–Philippines (JSOTF-P), a unit composed of between 100 and 450 personnel that is deployed semipermanently in the southern Philippines to assist with counterinsurgency and counterterrorism, including civil engineering and humanitarian assistance. In addition to helping bring peace and stability to affected areas, it was such aid work—the construction of hospitals, roads, schools, etc.—during the initial U.S. deployment to the southern island of Basilan in 2002 that led to thousands of local citizens lining the streets to tearfully bid U.S. forces farewell upon their departure. The impact of such activities on local opinion of the United States has been dramatic.

A high point came in October 2003 when the Bush administration designated the Philippines as a “major non-NATO ally,” which gave Manila special advantage in garnering defense items and financial support from the United States. U.S.-Philippine relations faced problems soon thereafter, however. The rape of a Philippine woman by a U.S. marine at Subic Bay in 2005, and his subsequent conviction in 2006, threatened to destabilize the bilateral relationship as it reminded Filipinos of the more sordid aspects of the U.S. Cold War–era presence. The transfer of Marine Lance Corporal Daniel Smith to the custody of the U.S. embassy upon conviction, pursuant to the Visiting Forces Agreement, also caused controversy and calls for revision or scrapping of the VFA.

In addition, despite having proclaimed publicly her support for the U.S. war in Iraq in 2003, and deployed more than 100 military and civilian peacekeepers to the effort that same year as a member of the “coalition of the willing,” Philippine president Arroyo in 2004 abruptly withdrew those peacekeepers from the country in the face of a death threat to a Philippine hostage and against the strong admonitions of the Bush administration. Facing harsh condemnation from the Bush team as a result, several weeks later she traveled to Beijing on a state visit, raising questions about whether she was trying to play a “China card” as diplomatic leverage against the United States.

Indeed, the Philippines under Arroyo has boosted political, economic, and defense cooperation with China. The two sides developed a regular high-level dialogue, joint military exercises and training, intelligence cooperation, and even some Chinese military transfers of equipment and supplies to the Philippines. Chinese loans and investments contributed to the construction of infrastructure in the Philippines, even as China became the Philippines’ third-largest trade partner (after the United States and Japan).

Allegations of corruption and bribery in connection with Chinese investments steadily soured Philippine popular opinion of China, however. A bilateral agreement reached in 2004 to conduct joint seismic surveys in the South China Sea also raised hackles both at home and abroad. Fellow Southeast Asian claimants to parts of the area chastised Manila as the “weak link” in a regional effort to withstand Chinese pressure to deal with claims bilaterally at the expense of a more leveraged regional approach. (Vietnam later joined to make joint seismic activities in parts of the South China Sea a trilateral initiative.) At home, when it was revealed that the designated survey zone included an area not only not in dispute but that was part of the Philippines’ continental

shelf, many in the Philippine Congress, media, and public were outraged by the apparent willful sacrifice of sovereignty.<sup>1</sup>

During this period, the structure of U.S.-RP security relations progressed despite a temporary chill in political ties. In 2006, the two countries established a new security consultative mechanism, the Security Engagement Board, to address nontraditional challenges in the region, complementing the Mutual Defense Board established in 1958. U.S. military assistance climbed almost threefold from 2007 to 2008, to \$30 million, largely focused on assisting Mindanao.<sup>2</sup>

Economic relations have progressed more slowly, however. Despite an announcement of intent to pursue a bilateral free trade agreement, the process has stalled. Nonetheless, the two countries have held regular meetings under their Trade and Investment Framework Agreement (TIFA) in an effort to resolve bilateral issues and coordinate on regional and multilateral matters. The United States also began to extend anticorruption aid to Manila in 2006 under the Millennium Challenge Account.<sup>3</sup> Still, Philippine resistance to ambitious market opening commitments in the WTO Doha negotiations in recent years, despite the limited steps it would be expected to make, have hampered efforts to further expand trade ties, frustrating U.S. trade officials.

## Findings

In our conversations in Manila, Philippine elites made clear that the Philippines is comfortable with the current level of the alliance. It likewise was evident that U.S. ambitions for the alliance in operational terms must necessarily be limited in the near term due to the political disarray, inward focus, domestic constraints, and low capacity of the Philippines overall to provide substantial support for U.S. objectives in the region and beyond.

- *At a fundamental level, Philippine interlocutors affirmed that Philippine citizens almost universally consider the alliance with the United States to be not only welcome and successful, but also an essential element of Philippine life that they cannot imagine doing without.* Polls commonly register extremely high favorability toward the United States and the U.S.-Philippine alliance in the country, with one 2007 poll finding that “Filipinos rank first in trusting the US to act responsibly in the world, first in disagreeing that the US is playing the role of world policeman too much, first in supporting long-term US military bases overseas,

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<sup>1</sup> One might argue that the passage of a baselines law in the Philippines in March 2009 that formally reasserted RP claims to disputed territories (Scarborough Shoal and the Kalayaan group of islands) served as a nationalist corrective to the 2004 agreement. Indeed, passage of the law, which is mandated under the UN Convention on the Law of the Sea, elicited protests from both China and Vietnam.

<sup>2</sup> Renato Cruz De Castro, “Chinese Soft-Power Statecraft in Southeast Asia,” *Issues & Studies* 43, no. 4 (December 2007): 109.

<sup>3</sup> *Ibid.*, p. 110. The Philippines completed its Millennium Challenge Corporation “threshold program” period in March 2009 and recently submitted a broader “compact proposal,” for which it became eligible in 2008.

and third in feeling that the US should continue to be the preeminent world leader in solving international problems.”<sup>4</sup> As one interlocutor put it, “the vast majority [of Philippine citizens] are hopelessly in the American embrace.” There is no indication of any change in this perspective for the foreseeable future.

Another interlocutor noted that the Philippines voted with the United States 96 percent of the time when it served on the UN Security Council (the exception being Manila’s tradition of voting with the Non-Aligned Movement on nuclear issues and Israel, it was explained, given that 2 million Philippine citizens work in Organization of the Islamic Conference [OIC] countries). Shared values, democracy, a shared language—English is one of the nation’s two official languages—shared religious ties given substantial Roman Catholic populations, and widespread familial connections continue to bind the two countries, and lead Philippine citizens naturally to look to the United States for support and leadership.

- *Anti-American voices in the Philippines in the end have not prevented steady development of U.S.-Philippine cooperation in recent years.* That said, interlocutors acknowledged that the presence in the Philippines of a loud anti-American minority, generally reflected in Leftists in the Philippine Congress and media, and in demonstrations outside the U.S. embassy in Manila, muddies the message and has made U.S engagement much more complicated for the government to sustain over the longer term for missions other than counterterrorism. These contrary voices remain critical of “American adventurism” in the Philippines and raise concerns about potential violations of the Philippine constitution stemming from the return of U.S. military presence in the country. These voices, interlocutors claimed, receive out-sized attention and have out-sized influence, in the end preventing, for instance, even more robust and open U.S.-Philippine cooperation.

Nonetheless, in terms of broader RP strategy, interlocutors noted that the influence of critics is limited. As one RP commentator put it, “we tried autonomous defense in the 1990s and it failed,” adding that from a purely practical perspective, “we don’t want to spend money on defense. When we consider guns versus butter, we decide it’s good to lean on the United States.” Another interlocutor added, “The United States always leaves behind improved facilities when there is an exercise. The relationship has practical benefit to us.” Development of U.S.-Philippine relations thus retains substantial support among many in strategic and policy circles—so long as the United States keeps a relatively low and modest profile, avoiding actions that garner headlines and thus provide fodder for the media and opposition party politicians.

U.S. crimes on Philippine soil potentially provide such fodder. Interlocutors claimed that the Subic Bay rape case created a media frenzy and some negative feelings toward the United

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<sup>4</sup> “Filipinos Rank High in Supporting the U.S. in World Affairs, According to 18-Nation Survey,” media release, Social Weather Stations, June 12, 2007, <http://www.sws.org.ph/pr070612.htm>.

States, but it did not leave any lasting impact on the relationship or on overall perceptions of the United States. Indeed, interlocutors commented that the lack of strong and broad popular reaction against U.S. military presence as a result of the incident suggested remarkable resilience in support of that presence today.

- *Official Philippine interlocutors were clear that the return of permanent basing would not happen and should not be pushed by the United States.* While many local elites reportedly are willing to consider more military access agreements to facilitate U.S. security presence in their parts of Mindanao, anything permanent there or elsewhere in the country is not politically feasible today. Some interlocutors contended that a majority of Filipinos would welcome the return of permanent basing, but the vocal minority makes such a proposition untenable for the foreseeable future.
- *Interlocutors likewise affirmed that fundamental structural weaknesses in the Philippines hinder more fulsome bilateral cooperation with the United States.* Weak national institutions—government agencies, political parties, etc.—volatile domestic politics, and ineffectual personalized governance style remain a constraint on the ability of the Philippine government to serve as a consistently reliable ally and partner. Interlocutors commented that as a result the Philippine polity is slow to act, reactive, and highly unpredictable in its near- and long-term policies. U.S. policymakers and operators complain about these and other constraints in U.S. ability to plan, train, and operate with the Philippines and from Philippine soil. The result is a bilateral relationship focused largely inward, on RP problems at home, with little vision beyond its borders.
- *Official and nonofficial interlocutors alike noted with chagrin that Philippine leaders do not think or act strategically but tactically, creating further problems for reliable and consistent partnership.* “We have no strategic vision; we just do things,” was how one Filipino commentator put it with exasperation, echoing the perspective of others. According to interlocutors, counterterrorism cooperation with the United States, for instance, stemmed largely from the Bush administration’s obsession with it following September 11, 2001, the evident success of broader Southeast Asian counterterrorism efforts as the decade progressed, and the resulting comfort the RP government had in that defining framework over time. An independent assessment by Philippine leaders and elites of foreign policy goals and national strategy does not exist, they say, and thus does not drive national action.

Likewise, interlocutors downplayed the notion that the Philippines strategically plays a “China card” against the United States in a conscious effort to gain leverage on Washington. While some observers did allow that the Philippine government might consider using relations with China to moderate U.S. behavior should Washington become too overbearing, to date, they claimed, the China relationship has been advanced on its own account with little consideration of the connection to overall Philippine strategy or relations with the United States. This includes President Arroyo’s trip to China in 2004.

- *It was asserted that RP China policy has sought to maintain peaceful relations with the region's largest emerging power, while ensuring Manila maintains a strong (U.S.) hedge in the future.* According to interlocutors, the Philippine leadership has sought to base its relationship with China on practical economic and political considerations, focusing on issues of common interest whenever possible rather than areas of divergence. Interlocutors noted that Philippine leaders recognize that Beijing views Manila with suspicion due to reinvigoration of the U.S.-RP military relationship, including reintroduction of U.S. forces on Philippine soil. Philippine leaders have thus often taken action that seeks to ameliorate China's concerns.

For its part, interlocutors claimed, China has generally been gracious and generous to the Philippines during much of the past decade, including on South China Sea issues.<sup>5</sup> At the same time, however, official interlocutors were hardly unconcerned about China's longer-term intentions, including in the South China Sea, given China's growing military capabilities. Although they asserted that the China threat overall was more political than military, other unofficial commentators explained that this reflected less an objective appraisal of the challenge China truly poses to the Philippines than a realist calculation of the Philippines' relative (in)ability for the foreseeable future to compete with Chinese military power.

Indeed, given the U.S. position that it would not come to the Philippines' aid under their Mutual Defense Treaty in a conflict over disputed claims, the Philippine military cannot think about deterring China militarily in the South China Sea. As a result, RP politicians have generally sought to cultivate cooperation with China, while the RP military, constrained by limited resources, prefers generally to ignore China in its development strategy in favor of focusing on internal security, which itself amply taxes Philippine capabilities (albeit largely in the ground domain).

Philippine interlocutors noted that RP citizens also have serious concerns about the safety of Chinese exports and bristle over individual instances of Chinese heavy-handedness (often met with Philippine conciliation), such as when the walls of the Philippine Congress were painted red to commemorate the visit of Chinese president Hu Jintao. Overall, it was pointed out, large numbers of average Filipinos remain quite wary of the security implications of China's rise even as they remain aware of the economic opportunities.

In the end, however, interlocutors pointedly cautioned that the Philippines cannot ignore the reality of China and that the last thing Manila wanted was to be used as part of a system of U.S.-led alliances in an anti-China strategy. At the same time, retaining the United States as a hedge against a turn in Chinese intentions, and to maintain a rough balance of power in the region, remained in the back of Filipinos' minds.

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<sup>5</sup> Subsequent RP-China friction after Philippine promulgation of its Baselines Law in March 2009 may have changed this perspective, however.

- *Relations with Japan are viewed as desirable largely for trade and investment and as a latent hedge and balancing force, rather than as a card to be used against China.* One official interlocutor mentioned Japan’s democracy and contributions to the ASEAN Regional Forum as adding to its appeal from the Philippines’ perspective. Japan’s economic engagement was considered paramount, although RP relations with Japan today were considered a relatively low priority for Manila overall, much lower than RP relations with the United States and below even China. Interest in advancing the relationship hinged on Japanese outreach, according to RP commentators.

Indeed, in general economic and security terms, Philippine interlocutors asserted that the Philippines operates overall on the principle of “the more [nations] the better.” “Anyone who wants to come in can come in,” he added. This attitude, it was explained, reflects both the Philippines’ lack of strategic thinking and the orientation of a small power that will take what it can get from all comers. The comment also reflected a general sense in the country that the legacy of World War II should not prevent greater Japanese involvement in contributing to the security of the region.

- *Philippine leaders reportedly consider India an important future player in the region, although ultimately not a crucial actor to secure their interests.* Interlocutors noted that Manila is only just beginning to establish a relationship with India, despite New Delhi’s increasing interest in Southeast Asia and emerging partnership with the United States in the region. According to an official interlocutor, the Philippine government is rather envious of other ASEAN members’ deeper and more longstanding engagement of the country, but little active consideration is being given to developing stronger ties in the immediate term.
- *While Manila remains committed to the continued development of ASEAN and related processes, such as the ASEAN Regional Forum, ASEAN + 3 (China, Japan, Korea), East Asian Summit, etc., Philippine engagement of the organization does not serve as a constraint on nor is it viewed as a substitute for the alliance.* Official interlocutors noted that ASEAN continues to evolve slowly, even in the wake of recent passage of the ASEAN Charter, and that involvement in the organization ultimately cannot, and does not, constrain U.S.-RP relations in any way. “Nobody is waiting for ASEAN,” one interlocutor noted. The two relationships essentially are handled separately, he added.

Indeed, Philippine interlocutors commented that RP leaders continue to think instinctively in terms of the traditional hub-and-spoke U.S. alliance system in Asia. Although Manila was one of the founders of ASEAN, the average Filipino reportedly focuses little on regionalism or multilateralism, interlocutors noted, while everyone knows, values, and takes for granted the U.S. alliance.

The ASEAN + 3 process (APT) was singled out as being particularly important to Manila’s leaders, however: “you should see the size of the briefing books,” one official interlocutor noted. Philippine officials explained that the APT allowed the Philippines—and other nations

within ASEAN—to engage the major Northeast Asian powers on important regional issues in a comfortable and mutually advantageous way.

- *Philippine interlocutors emphasized the critical importance to the country of economic engagement with the United States*, and the particular interest they have that the United States keep—indeed, enhance—its market openness. They suggested that the United States offer preferential treatment for goods from Mindanao to encourage economic development in the region in the interest of enhancing incentives for peace. More broadly, one interlocutor urged U.S. officials to get to know rising Muslim leaders in Mindanao in tandem with providing economic aid to promote understanding and enhance the possibility of gaining their support in the fight against violent Islamist movements in the area over the long run.

## Recommendations

Overall, the U.S.-Philippine relationship, despite many continuing constraints, seems to be in its best shape in nearly 20 years. Considering the above findings, we offer the following recommendations for further enhancing U.S.-RP relations:

- *Keep markets open.* As elsewhere in Asia, trade and investment ties are a primary interest of the Philippines toward the United States. The United States as a source of economic development and job creation in the Philippines remains a critical source of U.S. appeal and remains an essential component of the alliance by extension. At the same time, the United States needs to be prepared to react to potential Philippine protectionism, endemic corruption, and position within international economic forums such as APEC, the World Trade Organization, and ASEAN, with steady and patient engagement. The United States should consider initiating mutually beneficial sectoral agreements, for example, to build trust and establish a pattern of dialogue and cooperation on trade issues.
- *Continue to develop the quiet progress in U.S.-RP defense relations in recent years.* Although Philippine military capacity overall remains limited, RP capability at the individual and small unit level has strengthened following years of close bilateral cooperation and interaction. This situation offers an opportunity to broaden the scope of the alliance steadily over time. Humanitarian assistance/disaster relief exercises are a good start. The United States should continue to pursue the Philippine Defense Reform Program and remain patient about the pace of progress. In addition to continued U.S. capacity-building work, the United States should continue providing assistance in updating selected hardware as affordable to Manila, offering excess defense articles and International Military Education and Training (IMET) program aid, continue exercises and training to enhance individual and unit operational capability, and improve the Philippines' military infrastructure. The short-term goal should be to assist the Philippines to help itself internally. The long-term goal should be to help it eventually to assist the United States in collective defense, a task not anathema to Manila's leaders or to the average Filipino in principle.

- *Do not make permanent basing in the Philippines the focus of U.S. defense policy toward the country.* Despite the dreams of some U.S. strategists who mourn the loss of Clark and Subic, the United States will not regain permanent basing rights in the Philippines for the foreseeable future if ever. The base issue remains highly controversial and sensitive in the Philippines, with the legacy of 1992 still fresh. The United States should recognize that significant progress in support of U.S. presence and access to Philippine military sites in recent years has had strategic benefit and is a productive base on which to develop U.S. strategic presence in the country over time. While the United States should continue to encourage Manila to think more creatively and strategically about the further contributions greater U.S. military presence and access in the Philippines can make to regional peace and stability—and to Manila’s own national security interests—Washington ought to be relatively careful about its basing ambitions to safeguard continued progress in this arena and generally be mindful of its conduct so as not to offend Philippine sensibilities.
- *Consider increasing aid funding for the Philippines as a strategic element in the relationship.* The United States has earned itself tremendous good will with the civil engineering and humanitarian assistance programs in the southern Philippines linked to the counterterrorism mission. When the U.S. military departs, however, questions arise whether the programs are sustained enough to make more than a passing impact. To supplement the military-led aid effort, the United States should consider increasing U.S. Agency for International Development and State Department attention to the region. Aid targeted at the on-again, off-again peace process in Mindanao—providing funds for demobilization of rebel combatants, for instance—could provide an incentive for progress there. Aside from the humanitarian benefit, such attention has obvious strategic potential in the broader counterterrorism effort and in ensuring the U.S. presence remains palatable to and indeed welcome by local Filipinos.
- *Be careful not to suggest in word or deed that the alliance is directed at third countries such as China.* As with other countries, the Philippines’ concern about the potential challenges to the regional balance of power and to its national economic and security interests by a rising China does not translate to a desire to contain or “gang up” on China with the United States or others. To be comfortable to Manila, strategic relations should be defined, oriented, and couched in constructive terms, rather than “against” any particular country. Any attempts, or perceived attempts, to force the Philippines to choose sides explicitly, creating a zero-sum dynamic between the United States and China, for instance, will be counterproductive to the bilateral relationship and to U.S. strategic interests of engaging the Philippines more actively as a regional partner.
- *Express strong, public U.S. commitment to peaceful, noncoercive resolution of the South China Sea dispute—but support the Philippines where reasonable and possible.* The United States should not alter its policy of agnosticism concerning conflicting territorial claims in the South China Sea. Nor should it change its position that conflicts Manila may find itself in concerning disputed claims are not covered under the Mutual Defense Treaty. However, the United States has a longstanding interest in freedom of navigation, and maintaining regional

peace and stability. To the degree that nations may seek to assert their claims through aggression or coercion, the United States should strongly oppose such action and make clear its continued commitment to safeguarding these fundamental principles. Given the relatively weak position in which Manila finds itself, the United States should demonstrate the viability of its security commitments under the Mutual Defense Treaty when possible, for instance when RP-administered areas in the South China Sea are challenged. At the same time, the United States should remain careful not to send signals of support for the Philippines outside this narrow boundary that may be misunderstood and increase the prospect of regional tension or conflict.

- *Nurture people-to-people contacts.* Given the deep and wide favor the United States continues to enjoy in the Philippines, facilitated by a large and active Philippine-American community, it should not be difficult to maintain a “soft power” edge in U.S. relations with the country. At the same time, the United States should not get complacent about the relationship but continue to promote people-to-people ties, including through continued demonstration of appropriate respect for the contributions of Philippine citizens and Philippine-Americans throughout U.S. history. The passage in February 2009 of a World War II veterans benefits bill that honored and provided financial compensation for the contributions of Filipinos to the war was just such a signal of recognition of the longstanding “special relationship” between the United States and the Philippines so cherished by a large majority of the Philippine people.

At the same time, the United States should consider closely the advice of an interlocutor from Mindanao to cultivate—in coordination with Manila—rising generations of Mindanao leaders to build trust and enhance understanding of the regional situation, as an investment in the future stability of the Philippines and U.S.-RP relations more broadly.

- *Keep ambitions for the alliance modest, but do not dismiss or undersell the value of the relationship.* U.S. policymakers and alliance managers tend to dismiss the Philippines as a partner and player in East Asia due to its chaotic domestic politics, relatively underdeveloped operational capability, and substantial internal challenges that tend to consume its attention. They note with frustration that the United States and the Philippines may be allies on paper, but the Philippines can hardly be counted on to make substantial contributions to U.S. commitments to protect regional stability and security.

There is clearly reason for such a frustrated perspective. But it is an incomplete account of the U.S.-Philippine relationship. Given the challenge to regional stability posed by the extremist challenges in its south, the Philippines’ increasing ability to meet that challenge with increasingly effective application of force and economic incentives (with help from the United States) is having some positive effect and serving U.S. national security interests in the process. The quiet reintroduction of U.S. military forces onto RP territory, although under legal restrictions and other constraints, represents slow but important progress in the relationship over the past decade. In the end, U.S. policymakers and alliance managers will need to exercise

patience and understanding in its day-to-day diplomatic engagement of its often-difficult Philippine ally, while keeping a long view on the many strategic benefits the alliance relationship can provide to both countries if nurtured carefully in years to come.

# 4

## SINGAPORE

Singapore today is commonly called the United States' best ally in Southeast Asia, lack of a formal security treaty notwithstanding. Stepping up to provide U.S. forces access to its military facilities after the withdrawal of the United States from the Philippines in 1992, Singapore demonstrated not only rhetorical commitment but practical contributions to the United States that earned the appreciation of U.S. planners during a transitional period immediately following the Cold War. In fact, during this period, Singapore often sought to downplay its close strategic partnership with the United States for fear of antagonizing its huge neighbors, Indonesia and Malaysia. In recent years, however, such reticence has been less evident, as Singapore has become more and more vocal—perhaps the most vocal in Southeast Asia—about its interest that the United States remain strongly engaged in the region.

Interviews with leading Singaporean officials and scholars for this study revealed little that was new or surprising about the city-state's perspectives toward the United States. Indeed, that itself is not surprising: Singapore's engagement and presence in Washington, D.C.—from its embassy to its regular senior-level visitors—have been among the most strategic and effective of any nation, Southeast Asian or otherwise. As a result, Singapore's perspectives on regional and global affairs are well known in Washington policy circles. Its knowledge of how Washington works, its players, and what plays well within the U.S. policy community has enabled the city-state to become one of Washington's most important voices on Southeast Asia. Indeed, Lee Kuan Yew, the father of modern Singapore, has sacrificed few opportunities to express his perspective on U.S. foreign policy, arguing for deep U.S. engagement in the region as a counterbalance to China's increasing activity.

In strategic terms, Singapore is important to the United States because it sits on the Malacca Strait, through which passes half of the world's oil and a third of the world's trade, and because of its remarkably developed society and high-tech economy. Singapore is the United States' 15th-largest trade partner, and the United States' largest within ASEAN (the United States is Singapore's 3rd-largest partner). The United States has long been one of Singapore's leading investment sources, and as of 2007, the United States had over \$80 billion in foreign direct investment (FDI) stock in the city-state, the second-largest destination in Asia next to Japan and nearly three times that invested in mainland China.

While many say Singapore “punches above its weight” as a strategic player in Washington, Singapore has been a consequential U.S. friend in Southeast Asia for several decades, with a profound interest in U.S. regional engagement—political, economic, military, and otherwise.

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## SINGAPORE

- Population: 4.61 million (2008)
  - GDP: \$154.5 billion (2008)
  - Top Five Trading Partners (2007)
    1. Malaysia (\$73.0 billion)
    2. China (\$60.8 billion)
    3. United States (\$59.5 billion)
    4. Indonesia (\$44.1 billion)
    5. Japan (\$35.9 billion)
  - U.S. Trade Surplus with Singapore: \$6.2 billion (2007)
  - Top U.S. imports from Singapore
    1. Heavy machinery
    2. Chemicals and pharmaceutical products
    3. Electronics
  - Top U.S. Exports to Singapore
    1. Heavy machinery
    2. Electronics
    3. Aircraft and parts
  - Stock of Singaporean FDI in the United States: \$10.2 billion (2007)
  - Stock of U.S. FDI in Singapore: \$82.6 billion (2007)
  - Singaporean Visitors to the United States: 135,000 (2007)
  - U.S. Visitors to Singapore: 363,674 (2008)
  - Singaporean Students in the United States: 3,976 (2007)
  - U.S. Students in Singapore: 437 (2006)
  - U.S. Foreign Assistance to Singapore (FY2008): \$725,000 of security assistance
  - Major Agreements/Documents
    - U.S.-Singapore Free Trade Agreement: May 6, 2003
    - Strategic Framework Agreement: July 1, 2005
  - U.S. Arms Sales to Singapore, 2000–2006: \$1.67 billion (79.6% of Singapore's total arms imports)
  - Military Exchanges, Exercises, and Ship Visits: 200 total events, mostly ship visits (FY2007)
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Singapore has viewed U.S. engagement as essential to the regional stability it needs to continue to prosper in a complicated strategic environment. It is such mutual interest, underwritten by tangible support offered by each side to the other on behalf of these interests, that has led to the enduring strength of the relationship.

## Summary Recommendations

- Stay the course.
- Expand discussion and cooperation on promoting international norms.
- Further develop a common free trade agenda through the U.S.-Singapore Free Trade Agreement.
- Engage in deeper discussions on regional architecture.

## Background

Formerly part of colonial British Malaya, Singapore gained formal independence from Britain in 1963 and then from the Federation of Malaysia in 1965 when it became an independent state. Its existence was precarious from the start and to a degree remains so: while its early problems of underdevelopment have been overcome, Singapore remains extremely limited in indigenous resources and faces the inherent challenges of being a majority-ethnic Chinese city-state surrounded by Asia's two large Muslim-majority nations (one being the world's largest, the other being the nation from which it had bitterly separated itself). Singapore also faces the problem of ethnic division at home, with 77 percent of the population ethnically Chinese, 14 percent Malay (who are Muslim), and 8 percent Indian (largely of Tamil ancestry). Racial harmony and stability in its neighborhood therefore have often had an impact on the same at home and, thus, required Singapore to pay close attention to developments in neighboring countries and enact policies at home and abroad that placed stability and harmony at the core.

This practical situation has informed and shaped Singapore's strategic calculations to the present day. Consummate realists, Singapore has had to put a premium from the start on making cold calculations of its national interest, gathering information to ensure it understands evolving trends in its neighborhood and among great powers, and strategically engaging those nations—particularly their elites—to ensure the city-state's continued security and viability. Indeed, Singapore's decision to offer the United States extraordinary access to facilities following the closure of U.S. bases in the Philippines demonstrated Singapore's calculation of the limits of its strategic depth.

Similarly, Singapore's leaders quickly recognized the critical need to develop its economy and raise the living standard of all its citizens as a strategic interest and security imperative. With a small domestic market, Singapore put a premium on education, technology, and infrastructure development, and promulgated business-friendly policies, to attract foreign investment and construct a high-tech export-oriented economy. Strict social controls and restrictive politics were defended as critical for maintaining a stable, open, and clean (corruption-free) business climate that eventually led Singapore to become one of the world's leading manufacturing centers with per capita income among the world's highest. Singapore also maximized its geographic advantage

along the Malacca Strait to become a critical entrepôt for global trade: the city-state today boasts the world's busiest port.

Singapore also developed over time a highly efficient, highly trained, high-tech military to make up in effectiveness what it lacked in size and space. Singapore at first linked itself closely to Britain and Israel (among others) to assist with its security, and only later drew closer to the United States. From these sources the city-state also acquired the advanced training and military hardware necessary for its defense.<sup>1</sup>

On the political/diplomatic front, Singapore became a founding member and driving force behind ASEAN, to help Southeast Asian nations unite against the spread of communism and build confidence among member states. The United States became a critical strategic partner to add muscle to the fight against communism at a time when the Vietnam War was raging and many other Southeast Asian states faced their own domestic insurgencies. Indeed, Singapore was a vocal and ardent supporter of the U.S.-led war in Vietnam and later helped steer ASEAN toward resisting Vietnam's occupation of Cambodia through the 1980s.

## **Post-Cold War Changes and Continuity**

The end of the Cold War, and of Communist insurgencies in Southeast Asia, did not lead to the end of security concerns for Singapore, however, or of a desire for a close partnership with the United States. Traditional state-to-state tensions within Southeast Asia remained, as did the fundamental reality of the Singapore's geopolitical situation as a city-state in a complicated neighborhood. As the decade proceeded, the prospect of political and social transitions in nations such as Indonesia raised further concerns about regional stability and reaffirmed Singapore's calculation that a large external power was necessary to maintain an atmosphere of overall security to allow continued economic development, open sea-lanes, and to keep trade flowing—a particularly important requirement for a nation where trade accounts for an astonishing 300 percent of its GDP.

Perhaps equally importantly, during the same period China shed its ideological skin and emerged from the Cold War as a rapidly developing political and economic player in the region, raising further questions about the evolution of the regional balance of power and its implications for its smaller neighbors.

Concurrently, the United States faced stresses on its military basing in the Philippines. To compensate, Singapore in the late 1980s offered to grant U.S. forces access to its facilities, a brave move when its neighbors Malaysia and Indonesia opposed U.S. basing in the region. After the withdrawal of the U.S. military from the Philippines in the early 1990s, Singapore stepped up by

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<sup>1</sup> Singapore also acquired access to Taiwan for training exercises (which it retains today), as well as to U.S. bases in the Philippines (lost when the United States withdrew from those bases in the early 1990s) and later to bases in the continental United States.

offering to host a regional U.S. logistics command in Sambawang, in the northwestern part of the city-state. Beginning in the mid-1990s, on its own dime and initiative, Singapore built a deep-water port at its Changi Naval Base to accommodate U.S. aircraft carriers. All this successfully overcame public relations difficulties in the relationship in 1994 when an American high school student living in Singapore was caned in response to his vandalizing cars in the city-state, and the issue became a very public—and controversial—*cause célèbre* in the United States.

Even when U.S. Pacific Commander ADM Thomas Fargo encountered blowback from Malaysia and Indonesia when he suggested that the United States would be willing to deploy sea patrols to safeguard the security of the Malacca Straits, Singapore, as the other littoral state, expressed support for the idea. Indeed, over the past two decades, Singapore has been unique for its active expansion of services and facilities to support U.S. strategic presence in the region. In response, the United States expanded its high-tech military sales to the city-state, deepened and expanded its level of military engagement—to the point that some view U.S. interoperability with Singapore to be at least on par with NATO—and maintained an active exchange of views on regional affairs with Singaporean officials at senior levels.

In 2005, the United States and Singapore signed a Strategic Framework Agreement that established a treaty alliance between the two sides in everything but name (although Singaporean officials are extremely wary of applying the term “alliance” given the sensitivity of others, particularly China, toward such terminology). In 2003, they concluded a high-quality, bilateral free trade agreement (FTA), the first U.S. FTA with an Asian country. In 2009, Singapore plans to open a new command and control center at Changi Naval Base for monitoring maritime security, a facility built working closely with the U.S. Pacific Command.

Following September 11, 2001, Singapore became an important partner to combat violent Islamic extremism, given its recognition of the threat and ready willingness to cooperate in policing and intelligence sharing on regional movements. In December 2001, Singaporean authorities announced they had uncovered a plot by members of al Qaeda–affiliate Jemaah Islamiyah (JI) to attack the U.S., UK, Australian, and Israeli embassies, as well as other targets in the city-state. While Singapore was embarrassed in early 2008 when a senior JI operative in Singapore custody escaped, a remarkable breach of security that belied Singapore’s tough image, U.S.-Singapore cooperation on counterterrorism remains robust and a further source of keen common interest between the two sides in the first decade of the twenty-first century.

## Findings

In our conversations, we found little change in Singapore’s traditional perspective toward the United States in Southeast Asia, little concern about the state or prospect of bilateral relations in the future, and only a few concrete recommendations for improving the relationship. Official and nonofficial interlocutors uniformly expressed a continued strong Singaporean strategic interest in helping the United States maintain its preeminence in Southeast Asia as an offshore regional balancer and insurance policy against pressures Singapore itself may face from its large Asian

neighbors. Singapore continues to see the benefit of actively and materially supporting the U.S. presence in Southeast Asia. U.S. political, economic, cultural, and security ties continue to be welcomed as contributors to the city-state's overall stability and development.

- *Official and nonofficial interlocutors alike in Singapore consistently communicated a message of concern that the United States has not paid enough attention to Southeast Asian affairs in recent years and as a result was beginning to lose its preeminent regional position to China.* While Singaporeans were careful not to paint China as a fundamentally hostile or destabilizing force in Southeast Asia, they were the most vocal and blunt of regional interlocutors about their concern over U.S. distraction and/or disinterest in regional affairs causing problems in the regional balance of power in favor of China, and their interest that the United States rectify the situation in the near term through greater attention and engagement. To some degree they saw a zero-sum dynamic developing: the less the United States was perceived in the region to be engaged actively and effectively in Southeast Asia, the more China was perceived as gaining in regional power and influence due to China's own increasing attention and outreach.

Singaporeans were the most vocal in urging the United States to engage more closely with ASEAN and related regional multilateral forums. While recognizing the limitations of ASEAN as an institution, Singaporean elites continued to express strong support for ASEAN as a vehicle for confidence building and tension reduction. They considered a relatively strong and cohesive ASEAN as granting Southeast Asian nations more leverage to protect and assert their interests in relation to the great powers in their midst—with obvious benefit for small nations such as Singapore.

Singaporean interlocutors noted that the city-state considers ASEAN to be the desired centerpiece of integrated Asia-wide cooperation, the core of an emerging regional architecture and common market, and the definer of regional operating principles through the Five Principles of Peaceful Coexistence enshrined in the ASEAN Treaty of Amity and Cooperation (TAC). Singapore's contribution to the institutionalization of ASEAN as its chair during final drafting of the ASEAN Charter in 2007–2008 further tied the city-state to the organization's future development and viability, they noted.

As a result of this sensitivity about ASEAN's future, and their sense of how important U.S. engagement of the grouping is to the perceived balance of power in the region, Singaporeans relentlessly echoed the oft-heard dismay in the region over the failure of Secretary of State Condoleezza Rice to attend two out of the four ASEAN Regional Forum Ministerial meetings. They lamented the failure of President George W. Bush to hold a U.S.-ASEAN summit meeting during his tenure, despite understanding the reason (Iraq) why it had to be postponed in 2007. Likewise, they ask the United States to give a closer look to becoming a dialogue partner of the new ASEAN defense ministers meeting process. And they have urged the United States to sign the TAC so Washington could show due, if symbolic, respect to the principles and sensibilities of the region as virtually all other major states have done in signing the treaty in recent years.

Despite this criticism, Singapore expressed conditional hesitancy at present to include the United States in the East Asia Summit (ASEAN + 6) process due to a desire to maintain a short-term moratorium on membership to allow the organization to gain its footing. However, Singapore government officials contended that this desire for a moratorium is temporary and that the United States eventually should participate in the EAS (following U.S. signing of the TAC).

- *Even as they complained about U.S. distraction from the region, however, Singaporean interlocutors registered virtually no complaints about relations at a bilateral or operational level—albeit with two caveats.* Interlocutors were quite satisfied with bilateral political/strategic ties after the conclusion of the Strategic Framework Agreement, economic ties in the aftermath of the FTA (despite an immediate expansion in the bilateral trade balance in favor of the United States), and military ties given the continued flow of advanced weapons and other defense cooperation between the two sides. Singapore defense officials noted with appreciation their tight and meaningful technical and operational linkages to U.S. Pacific Command (even while noting that outstanding differences over technology transfer remain). Singaporeans also expressed great appreciation for U.S. active and cooperative attention to the problem of violent Muslim extremism in the region, the one area of U.S. engagement that has expanded over the past decade. Defense interlocutors cautioned, however, that expanding military-to-military cooperation in areas such as humanitarian assistance and disaster relief was possible but that the United States should temper expectations of regular Singaporean help given the city-state's limited personnel and other resources for this mission.

If a concern was raised on the bilateral front, it came in terms of the quantity rather than quality of attention. Interlocutors echoed complaints heard elsewhere that the United States tends to pay more attention to troublemakers than to its traditional friends and partners, taking the latter for granted. While this complaint was rather hard to put in concrete terms, it mirrored a similar complaint interlocutors registered that the United States has tended to engage Southeast Asia through the prism of single issues, such as counterterrorism or Burma, rather than as a broad-based relationship with many layers. They urged Washington to avoid the temptation to spotlight one issue over many and to deal with its allies and friends accordingly on a more sustained and strategic basis.

The other major concern, raised by both official and nonofficial interlocutors, was actually less about the prospect that the United States would continue poor policies of the past than about potential discontinuity of favored U.S. policies in the future.

Singaporeans registered some fear that a new U.S. administration, for instance, might replace attention and commitment to regional security and open markets with human rights-centered and trade protectionist policies. These concerns clearly reflected fears of what a new Democratic Party administration might have in store given Singapore's perception of the policies of previous Democratic administrations. It also highlighted Singaporean elites' priority interests as it relates to the region and the U.S. contribution to it: safeguarding

security and expanding trade and development, not necessarily promoting universal values. Singaporean interlocutors commonly urged that the United States keep faith in its commitment to regional security, military engagement, and open markets.

- *Several Singaporeans noted that the government, reflected in nongovernmental organizations (NGOs) affiliated with the government, is becoming more attuned to and interested in promoting certain rules and norms within the international system that skirts the edge of a kind of “values-based” diplomacy.* If elites predictably did not talk of promoting democracy overseas, they did express interest—buttressed by allusions to speeches from Singapore officials—in promoting good governance, rule of law, environmental stewardship, etc., as critical components of foreign assistance, sustainable development, and international stability. In this way, Singaporeans seem to be interested in promoting certain norms, and indeed arriving at a definition of values, that is empirical and practical and thus consistent with traditional Singapore sensibilities and interests. Interlocutors suggested this arena of norms promotion, as an important element in the evolution of the international system, would be a good way to expand the parameters of U.S.-Singapore cooperation.
- *The Burma issue remained an area of some difference with the United States.* Singaporean interlocutors registered concern about U.S. isolation and sanctions policy as counterproductive to achieving change in the country. They noted that isolation is what the Burmese junta thrives on and that greater flexibility and balance in the U.S. approach is necessary for progress, both at a political and humanitarian level. Singaporeans commented that while Burma was embarrassing to ASEAN, it was important for the country to remain integrated as a member of the grouping to avoid falling more deeply into the Chinese camp.
- *Concerning China, Singaporean perspectives were quite complex and overall considerably wary.* Interlocutors noted that even as Singapore called for greater U.S. engagement in East Asia, Singapore’s interests and geography will require that its relations with China be positive and constructive. They emphasized that China will continue to be an extremely important factor in the city-state’s development given China’s proximity and Singapore’s increasing reliance on China for its economic growth, with China now Singapore’s third-largest trade partner.

Nonetheless, Singaporean interlocutors were quite frank in voicing worry about the evolution of China over time as a potential coercive factor in regional affairs. They noted that while Beijing’s “charm offensive” has had some success in recent years, it has begun to be replaced quietly by a harder hand beneath the velvet glove. They noted maritime issues such as the South China Sea as a particular area of concern, although their concerns extended beyond the maritime arena. One senior interlocutor explained candidly that “we have an 800-pound gorilla at our back and it’s not comfortable. We don’t want a China that tells us what to do.” He noted a widespread concern in Singapore that China would bully the city-state should it become “the only show in town.” That said, Singaporean interlocutors acknowledged that they, like others in the region, consider what China thinks when making policy decisions.

Singaporeans nonetheless urged the United States to be rather subtle in its approach to Southeast Asia, and Singapore in particular, as it relates to China. They commented that while Southeast Asian nations worried privately about China they would not do so publicly since they have to live with the “gorilla” in their neighborhood. Singapore’s strategic approach, therefore, has sought to encourage China to integrate itself into the ASEAN system, and the international system more broadly, to embed China in regional norms. The idea is that by including China in regional institutions, it may help constrain Beijing’s power and encourage Beijing to act as a responsible stakeholder in international affairs.

- *At the same time, Singaporeans expressed support for India’s increasing involvement in regional affairs.* Singapore has been an important facilitator in India’s growing engagement of Southeast Asia, and interlocutors expressed desire that India pay more attention to the region. They consider India a power big enough to help balance China’s influence. They noted, however, that a nonaligned mentality still pervades much of New Delhi officialdom and that many Indian officials with whom they engage do not react well to the notion of balancing. Singaporeans also betrayed frustration with India’s sluggish bureaucracy and inability to move quickly on new initiatives. Nonetheless, it was clear that India remains an important new potential strategic partner for Singapore, as the city-state seeks regional engagement of a host of major powers to help promote development and shape a stable balance of power in East Asia.
- *Likewise, Singaporeans viewed Japan as a welcome player and partner in regional political, economic, and security affairs.* To policymakers and strategists, Japan’s engagement—both in the context of the U.S.-Japan alliance and otherwise—is considered a useful element of regional security, development, and balance of power looking forward. If there was any constraint to further progress in Singapore’s partnership with Japan, interlocutors noted, it came from the Japanese side: from Japan’s continuing self-imposed constraints on international activity and sclerotic political system that is preventing decisive action and fresh initiative. Interlocutors also commented that Japan lacks a comprehensive strategy for Southeast Asia, its agencies do not work in tandem, its leadership often has a difficult time seeing others’ points of view, and its regional influence as a result has declined over the past 15 years.

What worried Singaporeans the most, however, was the prospect of a clash of great powers in the region that could lead to development of distinct blocs and where Singapore would be forced to choose sides explicitly. Like all others in Southeast Asia, Singaporean interlocutors warned, Singapore did not want to be put in a position of having to choose among great powers as all were essential to the future stability and development of the city-state and the region.

- *In the end, both official and nonofficial Singaporean interlocutors considered the U.S.-Singapore relationship to be in excellent shape, with few obstacles in the way of continuing this trend from the Singapore side.* One might note that Singapore’s controlled (virtual) one-party political

system means official policy assigning priority to strong political and security ties with the United States is not debated. But neither does it appear controversial. While generational change may lead to more demands for political and civic freedoms, there is little indication that would mean a fundamentally different approach to Singapore's relations with the United States or the rest of the region. From all indications, Singaporeans appear to remain rather instinctively pro-American in orientation, enamored of U.S. political and economic achievements—last fall offering positive and negative cues in both regards—and highly attuned to Western culture and mores (if not entirely enamored with them given the city-state's largely Chinese cultural heritage and rather prurient social and cultural controls).

Anti-Americanism is barely evident to the point of irrelevance in mainstream Singaporean society. That English is one of the city-state's four official languages—the others being Chinese, Malay, and Tamil—speaks of the economic, social, and cultural kinship with the United States (and former colonial power Great Britain) that continues to be fostered by Singapore's leaders. Indeed, Singaporeans host, and from all indications welcome, a full array of economic, social, and cultural contacts with the United States. As a result, continued development of strong U.S.-Singapore ties appears to be free of domestically induced constraint for the foreseeable future.

## Recommendations

Considering these findings, we offer the following recommendations for strengthening U.S.-Singapore relations:

- *Stay the course.* The fundamentals of the U.S.-Singapore relationship are sound. What Singapore is looking for is a United States that maintains its regional presence and security commitments to safeguard a relative balance of power in the region; continues, if not enhances, ongoing political, economic, social, and military ties with the city-state; and maintains its commitment to free trade and open markets. These goals and interests in fact run parallel to the goals and interests of the United States. The Strategic Framework Agreement and U.S.-Singapore Free Trade Agreement were substantial moves to deepen and broaden the bilateral relationship. Full implementation of the spirit and letter of these agreements would be an excellent foundation for maintaining strong and mutually beneficial strategic ties between the United States and Singapore.
- *Expand discussion and cooperation on promoting international norms.* Singapore has expressed increasing interest in promoting certain norms within the international system to enhance global stability and promote sustainable development. Good governance principles of transparency, accountability, and rule of law, as well as environmental and labor standards, offer an additional arena for U.S.-Singapore dialogue and cooperation, in partnership with others of like mind. The development of such norms, particularly in connection with international assistance programs, will be an essential part of the global dialogue in coming

years, and thus both countries have an interest to work together to deepen the partnership in such areas toward common ends.

Indeed, Singaporean interlocutors' suggestion to expand the definition of bilateral security cooperation to include public health, energy, maritime safety, humanitarian assistance/disaster relief, and empowerment of women should be considered closely as additional aspects of international norm building.

- *Further develop a common free trade agenda through the U.S.-Singapore Free Trade Agreement.* The United States and Singapore should continue to make efforts to link the U.S.-Singapore FTA with the "P-4" (Brunei, Chile, New Zealand, and Singapore) Trans-Pacific Strategic Economic Partnership Agreement process to promote development of a high-quality free trade network in the Asia-Pacific region. Successful achievement of this goal again would contribute to establishment of new international norms that serve our common interest.
- *Engage in deeper discussions on regional architecture.* Given Singapore's particular regard for ASEAN, the United States should engage with and pay greater respect to the grouping—for example, by signing the Treaty of Amity and Cooperation, establishing a periodic U.S.-ASEAN summit process, etc.—to demonstrate U.S. respect for Singaporean interests and sensibilities concerning regional norms and to enable Singapore to feel less exposed as a partner of the United States in regional affairs. The United States, Singapore, and Japan should begin close coordination on APEC's future development as they will serve as the next three APEC hosts through 2011.

More broadly, the shape of East Asian political, economic, and security architecture will be one of the core challenges facing the region in coming years. The United States and Singapore as strategic partners necessarily should discuss their respective visions and closely coordinate their positions on the desired shape of this architecture as it evolves in coming years. In the process, the United States and Singapore should consider possible expansion of the bilateral relationship into useful and effective trilateral or quadrilateral processes involving other like-minded states such as India, Japan, and others.

The potential wildcard in the future of U.S.-Singapore relations, however, lies in developments since the visit of CSIS investigators to the city-state in October 2008: the ongoing and severe global economic crisis that is hitting Singapore especially hard. With its extraordinary reliance on external trade, Singapore's economy is expected to contract by as much as 10 percent in 2009, with the 2010 prognosis little better. Singapore will face domestic challenges and pressures it has not faced in the nearly half century since its independence, potentially putting pressure not only on its internal polity and society but also on its external relationships.

In the end, Singaporean concerns about the United States are due not to U.S. activities in the region but to lack of sufficient U.S. activity and engagement of the region. Indeed, the city-state often seeks to counsel, if not steer, the United States toward a more robust posture—as a benign hegemon—in regional and international political-military matters. Security, economics, and

trade, as elsewhere in Asia, remain at the core of bilateral ties. But given a host of other common interests and values, further development of this important relationship—a centerpiece of U.S. presence and thus influence in Southeast Asia—will come naturally given continued commitment and communication between the two sides in coming years.

# 5

## INDONESIA

Indonesia is the linchpin of Southeast Asia. With a population of 240 million people, it is home to 41 percent of the region's inhabitants. It spans some of the world's most strategic waterways, including the Malacca, Sunda, and Lombok Straits. Its economy is the region's largest (and perhaps best positioned to weather the current economic storm). It is arguably the region's only truly liberal democracy, a remarkable success story in a region where democracy seems on the retreat. The country remains the central player within ASEAN, and increasingly desires to play an important role outside the region as well. Add to this Indonesia's status as the world's fourth-most-populous country, third-largest democracy, third-largest carbon emitter, and its largest Muslim-majority nation, and the country's importance to U.S. interests should be quite evident.

On a bilateral basis, as of 2007, U.S. trade with Indonesia totaled over \$16 billion, making the United States Indonesia's fourth largest trading partner, and U.S. investments in Indonesia totaled more than \$10 billion. Over the past eight years, however, despite increased and often productive bilateral engagement, the U.S. image in Indonesia has suffered dramatically. A large majority of Indonesians developed a negative view of the United States, and many believe that the United States has been at war with Islam since 2001.

The election of favorite son Barack Obama as president offers a unique opening to take the U.S.-Indonesia relationship to a different level of cooperation at both official and popular levels. Hillary Clinton's decision to visit Indonesia in February 2009 as part of her first trip as U.S. secretary of state, and the announcement of intent to forge a "comprehensive partnership" between the two countries in coming years, was an encouraging sign that the new administration recognizes and will take advantage of the opportunity being presented.

Indeed, Indonesia's record over the past decade has been remarkable by any measure and should serve as a spur for increased U.S. attention to the possibilities of partnership with Jakarta. Nonetheless, ambitions may need to be tempered given many constraints in the relationship that will remain for the foreseeable future.

### Summary Recommendations

- Pursue the "comprehensive/strategic partnership" proposal with Indonesian counterparts with the goal of a public announcement and rollout in fall 2009.
- Establish a broad and regular bilateral dialogue process.

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## INDONESIA

- Population: 238 million (2008)
  - GDP: \$496.8 billion (2008)
  - Top Five Trading Partners (2007)
    1. Japan (\$30.2 billion)
    2. Singapore (\$20.3 billion)
    3. China (\$19.1 billion)
    4. United States (\$16.4 billion)
    5. Malaysia (\$11.5 billion)
  - U.S. Trade Deficit with Indonesia: \$6.8 billion (2007)
  - Top U.S. imports from Indonesia
    1. Apparel and footwear
    2. Rubber
    3. Electronics
  - Top U.S. Exports to Indonesia
    1. Food, grains, cereals, seeds, plants, fruit, animal feed, dairy products, meat, etc.
    2. Heavy machinery
    3. Aircraft and parts
  - Stock of U.S. FDI in Indonesia: \$10 billion (2007)
  - Stock of Indonesian FDI in the United States: \$122 million (2007)
  - Indonesian Students in the United States: 7,692 (2007)
  - U.S. Students in Indonesia: 132 (2006)
  - Indonesian Visitors to the United States: 53,133 (2007)
  - U.S. Visitors to Indonesia: 155,652 (2006)
  - Indonesia is the largest recipient of U.S. foreign assistance in East Asia and the Pacific  
Became eligible for a Millennium Challenge Corporation compact in 2008. Developing a proposal likely to yield \$500 to \$700 million over five years.  
U.S. Foreign Assistance to Indonesia (FY2008): \$189,674,000
    - Public Health: \$25,737,000
    - Economic Development: \$135,427,000
    - Security: \$28,510,000
  - Major Agreements/Documents
    - Trade and Investment Framework Agreement (TIFA): 1996, revised June 2005
    - National Security Waiver: U.S. normalizes military-military relations with Indonesia, November, 2005
    - Major Bilateral Consultation: U.S.-Indonesia Security Dialogue (annual; at level of U.S. assistant secretary of defense for Asia-Pacific security affairs and Indonesian director-general for defense strategy (MND))
  - U.S. Arms Sales to Indonesia, 2000–2006: \$40 million (5% of Indonesia's total arms imports)
  - Military Exchanges, Exercises, Ship Visits: 140 total events (FY2007)
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- Identify particular areas of cooperation that demonstrate U.S. interest in problems Indonesians care about.
- Work to include Indonesia in mini-lateral groupings as well as other international agenda-setting forums.
- Continue to develop military-to-military relations and to boost the capacity of the National Police while remaining committed to reform.
- Enhance parliamentary exchange and knowledge of Indonesia on Capitol Hill.

## Background

After centuries of Dutch colonial occupation, Indonesia achieved its independence following World War II. The United States supported Indonesian independence, albeit several years after Indonesia's declaration in 1945 (a sore point with many Indonesians to this day). Washington initially favored its first president, Sukarno, but that turned sour when he moved to the Left, the Indonesian Communist Party (PKI) emerged as the third-largest Communist Party in the world during the 1960s, and the PKI began to make inroads into the Indonesian military.

Major General Suharto's countercoup in September 1965 ended Sukarno's reign and led to the killing of hundreds of thousands of suspected Communists. Suspicions of U.S. involvement and support linger to this day. Suharto's implicit support of brutal methods employed by local organizations ultimately eliminated the Communist threat in Indonesia, but it also set the stage over time for political repression, corruption, and authoritarian leadership in which the Indonesian military had controlling interests in both political and military affairs.

Nonetheless, Suharto's rule—which he termed the “New Order”—was marked by relative social stability, albeit brutally enforced, along with substantial economic growth (6 percent per annum over 30 years). Indonesia emerged as one of Asia's new economic “tigers,” propelled initially by its natural resource and energy (oil and gas) sector and later by foreign investment in export-oriented light manufacturing.

For strategic reasons, the United States embraced Suharto and Indonesia as a bulwark against Communism in Southeast Asia throughout the Cold War, and even acquiesced in Indonesia's invasion and annexation of East Timor in 1975. Although remonstrations occurred privately, Washington generally overlooked Indonesian human rights abuses and corruption in the interest of developing a stable partnership with a nation in a highly strategic location. The United States helped train a generation of Indonesian technocrats, provided over \$1 billion in assistance, training, and hardware to Indonesia's military, and supported Indonesia's economic development. In return, Suharto's regime offered the United States support for its anti-Communist objectives and welcomed U.S. political, economic, and military support.

## Post-Cold War Transition

As the Cold War wound down, however, Indonesia lost its usefulness as an anti-Communist ally. Although its economic potential remained enticing to U.S. exporters and investors—becoming among the top 10 emerging markets according to the Clinton Commerce Department—its warts became more evident and consequential in its relations with the West. After Indonesian soldiers murdered hundreds of East Timorese demonstrators in 1991, the U.S. Congress began to place restrictions on military-to-military relations. Indonesia was eventually excluded from participating in the U.S. International Military Education and Training (IMET) program, and arms sales were restricted for the first time.

The United States partially restored military assistance in 1995 but curbed it again due to widespread human rights abuses by Indonesian security forces across the archipelago in the final days of the Suharto regime in 1998. In 1999 following another round of military brutality by Indonesian special forces (Kopassus) in East Timor during the period leading up to and following a referendum on East Timor independence, the Clinton administration terminated virtually all military-to-military contact, including all exports of military articles and services, which Congress subsequently codified into legislation. The murder of two American teachers in Papua in 2002, and a subsequent faulty investigation, became an additional source of tension in bilateral relations; this development led to new congressional legislation that called for a full accounting of the murders before full military relations could resume.

The Western response to the Asian financial crisis of 1997–1998 that decimated Indonesia’s economy created elite resentment toward Washington. Strict IMF conditions for aid were associated with the United States. While many average Indonesians appreciated U.S. support for Indonesia’s transition to democracy, others resented the United States for supporting East Timor’s independence.

## The September 11 Attacks and the Bush Administration

Nonetheless, before the September 11 attacks, the United States maintained favorability ratings of more than 60 percent among the Indonesian public. After September 11, despite President Megawati Sukarnoputri’s initial rhetorical support for the United States, many within Indonesia’s Muslim majority quickly became wary of the United States’ new “war on terrorism,” viewing it as a war on Islam. The Afghan and Iraq wars advanced this narrative. Indonesian nationalists highly sensitive about the inviolability of principles of national sovereignty, territorial integrity, and noninterference in others’ internal affairs, were equally outraged at U.S. conduct, leading to a unique convergence of perspectives within Indonesian society. At the same time, extensive media coverage of Israeli suppression of Palestinians, and the perception that the Bush administration was unhelpful and unbalanced in its approach to the Middle East problem—an issue deeply felt in Indonesia—enhanced this negative perception of the United States.

Indonesians also resented the Bush administration’s single-minded focus (particularly during its first term) on counterterrorism to the exclusion of other global and regional challenges. The U.S.

touting of Southeast Asia—with particular emphasis on Indonesia—as the war on terrorism’s “second front,” a counterproductive moniker for enhancing Indonesia’s image as a stable destination for tourists (the United States regularly issued travel advisories warning about travel to the country) and foreign investment. For their part, Indonesian leaders suggested that any concerns about Islamist extremism on their territory were matters for domestic law enforcement to handle and that the terrorist threat was overstated. Indonesia’s leadership for a while even refused to acknowledge the existence of al Qaeda–affiliated groups based in Indonesia such as Jemaah Islamiya.<sup>1</sup> Washington quickly grew frustrated with Indonesia for its perceived lack of serious attention to the extremist threat inside its borders.

The October 2002 bombing of a tourist area in Bali, and subsequent attacks, particularly on the Jakarta Marriott hotel in 2003, the Australian embassy in 2004, and another in Bali in 2005, changed Indonesia’s perspective. Counterterrorism cooperation expanded, and domestic attention to the extremist challenge from within became more pronounced. Indonesians remained highly sensitive to excessive external involvement in their internal affairs, and they required that such involvement be in the form of technical capacity building, intelligence sharing, and equipment sales, not foreign boots on the ground, to enable Indonesia to take care of its own affairs. Under such conditions, however, the United States, working with Australia, was able to assist Jakarta to establish Detachment 88, Indonesia’s elite counterterrorism unit. As a result of such efforts, Indonesia was able to vastly improve its counterterrorism and law enforcement capability over time, earning growing appreciation from the United States and others in the region.

Presidents Bush and Megawati used the common interest of fighting terrorism as an opportunity to develop the relationship. During a 2003 meeting, the two leaders formally agreed to work together on democratic development, economic reform, anticorruption, and trade and investment ties. President Bush also announced the establishment of an initiative that provided \$157 million in education assistance to Indonesia over five years.

However, it was the 2004 election of Susilo Bambang Yudhoyono, a highly regarded retired general and graduate of the IMET program, that provided a substantial boost to U.S.-Indonesia ties. In the first half of 2005, the Bush administration restored IMET assistance and nonlethal foreign military sales, and it issued a “national security” waiver in November that authorized foreign military financing and defense exports, essentially reestablishing normal military-to-military relations. (Congressional restrictions remained only on assistance to the Army’s special forces [Kopassus] and the National Police’s special forces unit [BRIMOB]). The rapid and massive U.S.-led humanitarian response to the December 2004 tsunami, which killed more than 200,000 people in Indonesia’s Aceh province alone, demonstrated the commitment of the United States to aid Indonesians in their time of need. The U.S. immediate military response and the

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<sup>1</sup> The term “Jemaah Islamiya” may be translated as “Islamic congregation,” a generic phrase that compounded the difficulty of censuring the group.

subsequent outpouring of support from private U.S. citizens to aid reconstruction provided at least a temporary surge in positive sentiment toward the United States. Nonetheless, a residue of resentment and mistrust of the United States, within the Indonesian establishment and populace, remains today.

## **Traditional Indonesian Foreign Policy**

Since the 1940s, Indonesia has espoused an “independent and active” foreign policy that puts a premium on maintaining sovereign independence, free from external influence over its policymaking, and on remaining engaged actively in global affairs—to shape a more “just and peaceful” world. At the same time, its conception of its foreign policy interests has conformed to what analysts refer to as a “concentric circle” concept, in which Indonesia pays priority attention first to relations with closest neighbors, then moves steadily outward.

Since the Suharto era, the viability of ASEAN and relations with ASEAN members has been foremost in Indonesia’s strategic calculations and has formed the first concentric circle. ASEAN historically has been the primary vehicle for Indonesia to promote its interests and prevent external interference in its affairs. During the Suharto years, Indonesia saw itself as ASEAN’s natural leader. The economic crisis beginning in 1997 and subsequent political turmoil distracted Indonesian leaders from the grouping for much of the next decade, but in recent years Jakarta has reasserted its leadership role as one way to assert itself as a major international player. Indeed, the Indonesian foreign policy establishment instinctively orients itself toward ASEAN when considering its international strategy and interests.

Indonesia’s commitment to ASEAN also reflects its broader commitment to multilateralism as the preferred method of international engagement to embed nations in a constraining web of rules and consultative procedures. Indeed, Indonesia has sought to assert the interests of the developing world through cooperation with like-minded nations in multilateral institutions such as the Non-Aligned Movement, Organization of the Islamic Conference, G-77, and the United Nations. Indonesia’s inclusion in the G-20 process offers a new vehicle for multilateral cooperation that takes Indonesia out of the developing world context and into an arena of major global powers.

The second concentric circle, as traditionally defined, includes those just outside ASEAN: the nations of Northeast Asia and Oceania (Australia, New Zealand, Pacific Islands), and vehicles such as the ASEAN + 3 (China, Japan, Korea) process. The next circle traditionally includes the United States and the European Union, its major economic partners.

## **Muslim Identity**

Despite its status as the world’s largest Muslim-majority nation, Suharto’s Indonesia did not accentuate its Muslim identity at home or abroad until the early 1990s due to concerns about domestic stability, particularly in the aftermath of the Iranian revolution in 1979. Indonesia saw an upsurge in religious consciousness beginning in the 1980s, however, leading Suharto to try late in his reign to co-opt the movement by wrapping himself in the mantle of Islamism. Indonesia’s

media began to cover unrest in the Middle East more closely, for instance, leading to heightened awareness and outrage over perceived abuses against Palestinians. U.S.-led wars in Iraq and Afghanistan also received heightened coverage, although other Islamic causes, such as Kashmir, receive little attention, reflecting the selectivity of Indonesian popular—and media—interest. Overall, Islamic solidarity is an important factor in Indonesian foreign policy, often coloring Indonesian policies and perspectives, including toward the United States.

## Findings

- *Indonesian officials are generally satisfied with the state and trajectory of U.S.-Indonesia relations, but their perspectives on a partnership with the United States remain complicated by conflicting attitudes toward U.S. international policies and their own traditional foreign policy instincts.* The government of Indonesia has indicated a clear interest in stronger and deeper ties with the United States. In a speech in Washington, D.C., in November 2008, President Yudhoyono called for a “21st century strategic partnership.” Interlocutors in Jakarta echoed the president’s call for such a relationship with the United States and referred to the speech when asked how they would define the concept. In the speech, Yudhoyono was vague on the specifics, instead outlining the principles under which a strategic partnership must be concluded. He stated:

It will not be alliance, because we are constitutionally prohibited from entering into any alliances. But it will be a partnership brought about by a realignment of interests. A US-Indonesia strategic partnership would have to be based on: equal partnership and common interests. It has to bring about mutual and real benefit for our peoples. It has to be for the long-term, and has strong people-to-people content. It has to be part of a win-win strategic stability in the region.<sup>2</sup>

An official interlocutor in Jakarta added that a U.S.-Indonesia strategic partnership would not include provision of U.S. military bases; would not be directed at any third party, China or otherwise; and should be relevant enough to address global issues. He said Indonesia wanted to avoid the impression of begging for such a relationship, however, so Jakarta required the United States to take the next step to demonstrate interest and assign officials to take on the task.

Jakarta has concluded strategic partnerships with several other major powers, including China, Japan, India, Australia, Russia, and South Korea, among others, in what President Yudhoyono has termed Indonesia’s “‘all direction foreign policy’ where we have ‘a thousand

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<sup>2</sup> Susilo Bambang Yudhoyono, president of the Republic of Indonesia, “Indonesia and America: A 21st Century Partnership” (address, United States–Indonesia Society luncheon, Washington, D.C., November 14, 2008), [http://www.embassyofindonesia.org/press/speeches/sby\\_usindo\\_luncheon\\_nov\\_2008.htm](http://www.embassyofindonesia.org/press/speeches/sby_usindo_luncheon_nov_2008.htm).

friends and zero enem[ies].”<sup>3</sup> Jakarta-based officials claimed, however, that those partnerships remain more on paper than operational and that they sought more substantial cooperation with a new U.S. partnership. A senior official added that the foreign ministries of the two countries should hold annual talks to provide a strategic context and coordinate the many activities now being conducted between the two sides.

Senior-level official interlocutors suggested that the Bush administration generally did a good job in its Asia relations, including with Indonesia, and that the bilateral relationship became very productive, particularly during Bush’s second term. One senior official noted with appreciation the consultative approach of the administration and praised what he saw as the president’s personal commitment to assisting the country’s development.

Others, however, reiterated that the popular image of the United States in Indonesia remains very low as a result of a continuing perception of a U.S. war on Islam and perceived inequities in U.S. handling of the Middle East (Israel-Palestine) situation. Perceived unilateralism and aggressiveness of the United States in pursuing its objectives also offended Indonesia’s traditional multilateral instincts. Although interlocutors asserted that grassroots opinion generally does not constrain official policy, aside from “Islamic issues” at times, they added that President Bush’s personal image overwhelmed the good he did in the name of the United States. One senior official added, “the image of a country is 70 percent shaped by its president,” and President Bush was not a popular figure in Indonesia.

- *Elite expectations of an Obama presidency are hopeful but realistic—and wary on economics and trade.* The election of Barack Obama—the “Menteng kid,” as he is known affectionately in the country (reflecting the Jakarta neighborhood where Obama and his mother lived when he was a child)—was greeted with as much enthusiasm in Indonesia as anywhere in the world due to his personal connections to the country and the prospect at least of a new tone and style to U.S. international policy. “People were amazed that someone like Obama could be elected,” one interlocutor noted.

While one might presuppose outsized expectations for him, government officials and nonofficial interlocutors were rather realistic about his presidency given the tremendous structural challenges the United States faces at home and abroad. They noted that Obama would do the most good for the U.S. image in and relations with Indonesia by altering Middle East policy to be more balanced between Israelis and the Palestinians and ultimately by facilitating a two-state solution. They also expressed hope that he will end the war in Iraq. Thus, the Indonesian public is excited about President Obama for reasons that have as much to do with potential changes in U.S. policy in the broader Muslim world as with direct benefits for Indonesia. Should Obama fail to make these policy changes, problems in U.S.-Indonesia relations will persist, interlocutors cautioned.

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<sup>3</sup> Ibid.

At the same time, Indonesian interlocutors betrayed wariness about the direction of U.S. economic policy under a Democratic administration and a Democratic Congress, particularly in the face of the global economic crisis. They often echoed traditional concerns that Democrats are more protectionist in their orientation toward trade (and put more attention on human rights in their bilateral relationships). Interlocutors noted that President Yudhoyono has put particular emphasis on “economic diplomacy,” telling his ambassadors that “it’s all about economics,” with trade and investment rather than aid sought.

- *Interlocutors registered frustration and resentment over what they see as a static view of Indonesia in Washington, particularly in Congress, where they claimed the nation’s accomplishments go unrecognized and the country is viewed through the prism of the past.* Indonesian officials and analysts urged the United States to take a broad perspective on relations with Indonesia and pay due regard for Indonesia’s many achievements over the past decade. Indonesia sees itself as a success story given the economic and political progress it has made over the past decade and its maintenance of social stability and national cohesion in the process of this difficult transition. It believes that it deserves a place at the table with global powers due to the size of its population and economy and its successful democratic transition, which Indonesians say goes unrecognized and underappreciated by the United States. “We’re democratizing, yet we’re criticized,” one analyst remarked, echoing others. Interlocutors acknowledged that problems remain—including further reform of the TNI (military)—but they contended the country ought to be rewarded for the progress it has made.
- *Jakarta is generally satisfied at present with how Beijing is dealing with its relationship with Indonesia—and with the region—but like others, it harbors a vague uncertainty about the implications of China’s rise over the long term.* Indonesian interlocutors commented that China has been a welcome and increasingly important partner for Indonesia. Total bilateral trade has grown to almost \$30 billion annually, and Indonesia has become a prominent target of China’s outreach in the region as a major source of natural resources, including but not limited to energy (gas and oil), to fuel Chinese growth. The China-Indonesia strategic partnership agreement includes a commitment to work together on a host of political, economic, cultural, social (people-to-people), and security matters.

As one senior official noted, “China never pressures us on anything,” reflecting a Chinese approach that seeks to set aside differences and focus on common interests and “win-win” solutions. “Whatever we want they give,” he noted. The economic relationship is vibrant and increasingly essential to Indonesia’s economic viability. The focus on common development, including China’s agreement to conclude a free trade agreement with ASEAN, and finance infrastructure in Indonesia, is consistent with Jakarta’s own priority focus on “economic diplomacy” to promote domestic growth and development. They are “buying hearts and minds in Indonesia, which isn’t easy with their historical baggage,” one interlocutor commented, although he added that mistrust remains.

China's military modernization, particularly its increasing interest in maritime assets such as submarines, advanced destroyers, and even aircraft carriers, has raised questions about Chinese intentions in common maritime space. In economic terms, China's growth as the center of global manufacturing has caused worry among Indonesian manufacturers and economic analysts about the long-term implications of competition from its large northern neighbor. Indonesian elites talk of the Indonesia-China strategic partnership as essentially political rather than the mark of a real commitment to deep and strategic relations, despite the action plan reached between the two sides. Indonesian interlocutors also noted that China's diplomats have been very active and very effective in promoting a positive image of China, contrasting the visibility of China in the region to the United States.

While Indonesians acknowledged "fear in the back of our minds" regarding China, they added that the challenge for Indonesia today is determining how to accommodate the emergence of China in regional affairs without sacrificing stability, integrating it into a regional framework of institutions, norms, and rules while preventing China from becoming a revisionist state. Ultimately, interlocutors noted, like others in Southeast Asia, Indonesia seeks to promote a rough balance of power where all major powers are engaged but where no single hegemon dominates the region.

To that end, Indonesians want the United States to be more actively engaged in regional affairs. With China's increasing power and outreach to Southeast Asia, the United States provides a useful balancing function, although like other regional states, Indonesia does not seek to choose or align with one of the two powers, nor does it want to antagonize either nation.

- *Japan remains a very important but overall disappointing factor in Indonesian affairs.* As Indonesia's largest investor and trading partner, Japan remains an extremely important actor for Indonesia. Interlocutors add, however, that Tokyo has failed to fully capitalize on its considerable contributions. They betray disappointment that Japan's policy has been reactive and strategically incoherent, particularly compared to China, most notably evidenced by Japan allowing China to lead in crafting a free trade agreement with ASEAN as a bloc. The importance of Japan to Indonesia is not lost on Jakarta's policymakers, they say, and political ties are strong. History is no constraint on further development of relations, even in security affairs. But Japan's interest appears lax and underdeveloped, despite its own strategic partnership arrangement. Indonesian interlocutors reiterated they would welcome more robust ties with Japan as one of many major power relationships that offer economic and political benefits and that promote a regional balance of power.
- *Heightened relations with India are welcome but slow in developing.* Likewise, Indonesia welcomes India as an increasingly important regional player, but the relationship is moving slowly. The two countries have a strategic partnership, but it has "no substance," according to a senior interlocutor. Indonesia is interested in developing relations with India more rapidly and has looked to the new U.S.-India arrangement as a model for potential cooperation. The

economic relationship is becoming more important—bilateral trade totaled \$6.5 billion in 2007, making Indonesia India’s third-largest trade partner in Southeast Asia. The two countries have agreed to work on a bilateral free trade agreement in 2009. Indeed, economic relations will do the most to propel the relationship, according to Indonesian observers. However, interlocutors noted that overall China is far ahead of India in virtually every facet of bilateral relations, reflecting the long distance New Delhi needs to go to be a priority relationship to Indonesia despite Jakarta’s interest in developing relations, in the words of one, “as much as possible.” Moreover, Indian resentment over Indonesia’s past support of Pakistan in India-Pakistan bilateral disputes will need time to be overcome.

- *Jakarta remains committed to the viability of ASEAN as a priority interest, continues to rely on ASEAN to help safeguard regional security and stability, and considers the United States a potentially important player in ASEAN’s future development.* As one senior interlocutor noted, “ASEAN is our only insurance” against being squeezed between major powers, the best vehicle for Indonesia and its neighbors to gain strength and bargaining power.

As a result, Indonesia is seeking to shape ASEAN to reflect its own interests and to reassert its leadership of the organization over time. Indeed, the ASEAN Secretariat is located in Jakarta, offering Indonesia an advantage in this regard. Indonesia had a substantial role in the completion of the ASEAN Charter over the past year, interlocutors noted, adding that Jakarta hopes the charter will make ASEAN a more cohesive, adaptable, and relevant institution.

At the same time, one hears an increasing number of Indonesian voices within the elite establishment, both within and outside of government, who worry that ASEAN’s expansion has made the organization less able to take decisive action—and more likely to constrain than facilitate Indonesia’s ambitions as a global actor. Frustration with the watered-down language in the ASEAN Charter concerning an ASEAN Human Rights Commission, for instance—language that ultimately downgraded the commission steadily into merely a consultative mechanism rather than a body with teeth to investigate and punish abuses, demand amelioration, etc.—led many Indonesian members of parliament to oppose it, leading Indonesia to be the last ASEAN nation to ratify the charter. This reflected a growing interest in Indonesia to promote and enforce basic humanitarian values in fellow member states (in pursuit of what some are calling a “new ASEAN way”) that is a remarkable break from its traditional “noninterference” policy. It also reflected growing frustration and dissatisfaction among some elites with the way the newer—and more authoritarian—ASEAN members were able to constrain Indonesia’s foreign policy goals and degrade ASEAN’s reputation and development.

As a result, Indonesians said on the one hand that they wanted the United States to engage more actively with ASEAN to strengthen the viability of the institution and help guide it in a more liberal direction. They sought U.S. accession to ASEAN’s Treaty of Amity and Cooperation, establishment of a regular U.S.-ASEAN summit, regular attendance at ASEAN Regional Forum events at the proper protocol level, and even asked that the United States sign

up to the UN Convention on the Law of the Sea to demonstrate the kind of commitment to international law and multilateralism that would appeal to Indonesian sensibilities.

One interlocutor noted that ASEAN thinks it is in the driver's seat in building regional multilateralism, but "the car doesn't have much gas." He suggested that while China "makes us feel like we're the driver," U.S. engagement could indeed help empower ASEAN. Other nongovernmental interlocutors added that the United States should go further by taking the initiative to help restructure the overall architecture of the Asia-Pacific region by streamlining the existing array of institutions. One parliamentary interlocutor even suggested that U.S. involvement could help balance against China, Japan, and South Korea, which he feared could be developing into a troika to oversee Asian affairs through the ASEAN + 3 process and other regional groupings.

- *Growing confidence, new players (parliament, media, nongovernmental organizations, Muslim groups), and new themes (democracy and a broader role in the Muslim world) are expanding Indonesia's orientation in international affairs.* As indicated, however, Indonesia is demonstrating increasing interest to serve as a global player in its own right, apart from ASEAN, given its achievements and development in recent years. Indonesia is increasingly proud of its struggle for and standing as a democracy, for instance, and has sought to promote democratic values as a way to demonstrate to others the success of its own democratic transition. The December 2008 Bali Democracy Forum served as a marker in this regard.

The Indonesian Parliament (DPR) and civil society components in Indonesia have been driving forces in this evolution in Indonesia's foreign policy toward promotion of democratic and Islamic values. Indonesia's Burma policy, for instance, has become tinged increasingly with condemnation of the junta, thanks to an active Burma caucus in the legislature. Indeed, the importance of the DPR in Indonesian foreign policymaking has grown substantially over the past few years and will continue to grow, according to Indonesian observers. Much as in the U.S. Congress, the DPR's views can be seen as parochial at times in the eyes of Foreign Ministry officials and outside analysts. However, the DPR's Committee I on Defense, Foreign Affairs, and Information will only become more important as it increasingly asserts its mandated authority, and Indonesia's Foreign Ministry—as well as foreign governments—will have to learn to consult closely with it.

The increasing engagement of the DPR in Indonesia's foreign policy may serve as a constraining factor in U.S.-Indonesian relations due to a rather loud contingent of religion- and sovereignty-oriented party members that sometimes join together to stymie cooperation with other countries. Other parliamentary voices, however, are strongly in favor of a strategic partnership with the United States. Either way, if the United States is to build stronger and deeper ties with Indonesia, it must pay more attention to engaging the DPR.

Another trend to watch in Indonesian society is the course that political Islam takes, particularly in the election year of 2009. To date, no candidate has been elected to office after running on a platform including the implementation of Shariah, yet the Islamist PKS party

has made substantial gains since eliminating Shariah from its platform and simply running with a coherent policy agenda to clean up government. The ability of the secular parties, which will continue to drive party politics over the next decade, to stand up to a vocal minority of Islamists will also be an important issue to watch. It appears that Indonesian voters are currently more concerned with good governance and corruption eradication than religious orthodoxy, however. Nonetheless, interlocutors noted that foreign policy will not be an issue in the 2009 elections.

## Recommendations

As the United States considers the future of bilateral relations with Indonesia, it should consider the following recommendations for action:

- Pursue the “comprehensive/strategic partnership” proposal with Indonesian counterparts with the goal of a public announcement and rollout in fall 2009. Whatever the terminology, the United States should pursue actively the notion of establishing a stronger partnership with Indonesia, leading ultimately to a public agreement that provides explicit outlines of the arenas and modes of bilateral cooperation.

Counterterrorism will necessarily be an important element of continued partnership. However, the two countries should also include more intensive cooperation on climate change and to build Indonesian capacity in the areas of judicial reform, governance, military education, humanitarian/disaster relief operations, peacekeeping, maritime security, environmental preservation, and public health. They should also accentuate their mutual commitment to the continued development and viability of ASEAN and of full implementation of the ASEAN Charter, including the promotion of human rights.

The United States and Indonesia should consider making explicit their commitment to promoting democracy and other norms and values within the international system as an essential mutual interest of the two societies to advance national and individual dignity worldwide. Specifically, the two countries should coordinate closely on ways to promote change in Burma.

In the economic realm, the two countries should vow to keep markets open in the face of an ever-deepening global economic crisis and maintain healthy conditions for foreign investment. The two nations should build reciprocal deliverables into their Trade and Investment Framework Agreement (TIFA) and agree on a dispute-resolution mechanism.

They also should outline specific initiatives to promote closer people-to-people ties, particularly programs and funding for increased student and teacher exchanges in the interest of investing in relations between future generations of Americans and Indonesians. To that end, the United States must ensure that its visa policies are not unnecessarily—and counterproductively—restrictive to deter Indonesian applicants. Finally, the two countries should work to promote religious tolerance around the world and explicitly affirm the

possibilities of broad cooperation between the world's most powerful nation and its largest Muslim one.

The process itself of crafting the partnership agreement will have important consequences, as it will mobilize the two foreign policy bureaucracies to engage with one another and signal to respective foreign policy establishments the importance of the relationship, which will require sustained and consistent attention in years to come. Ideally, the two nations should announce and release the details of the new partnership during a summit meeting early in President Obama's term to take advantage of the window of opportunity that his presidency has opened for the relationship. President Obama will likely visit Indonesia in November 2009, around the time of the APEC summit in Singapore, which would serve as good timing for rolling out the agreement. He should also use this opportunity to deliver a major address recognizing and paying due respect to Indonesia's tremendous achievements over the last decade, expressing U.S. perspectives toward Islam, and enumerating the shared hopes, aspirations, and interests of the two countries.

Ultimately, however, the United States will need to be patient with, and alert to, Indonesian sensibilities and self-constraints when pursuing the partnership. Given Indonesian leaders' need to focus on problems at home, Washington must temper its expectations on international cooperation. The two countries will also continue to have differences in style and approach on issues such as democracy promotion and environmental protection. Indonesia's leaders also remain sensitive to perceptions of major power domination and policy dictation and thus will likely need to demonstrate some distance from the United States to maintain their sense of sovereign independence. Likewise, keeping some distance from Washington will be important to maintain Indonesia's bona fides in the developing and Muslim worlds.

- *Establish a broad and regular bilateral dialogue process.* Bilateral discussions between the United States and Indonesia have largely occurred on an ad hoc and tactical level to date. Only regular dialogue between senior leaders on a full range of issues of mutual interest will place the relationship on a strong and strategic footing and establish an appropriate bilateral agenda. In addition to annual talks at the deputy assistant secretary of defense level, the United States should institutionalize consultations at the assistant secretary of state level (although regular consultations do take place) and should consider at least one meeting every two years at the deputy secretary of state and under secretary of defense levels to signal strong U.S. commitment to the relationship.

The United States should also consider establishing a regular policy planning dialogue to help determine how to integrate Indonesia into broader U.S. strategic goals and seek to broaden the discussion to other agencies to address specific technical matters, such as nuclear safety, etc. Unofficial dialogues between Indonesian and U.S. elites should also increase to broaden the exposure on both sides to respective national perspectives and policies. Indeed, the United

States should take care not to over-personalize the relationship with one leader or another, but seek to engage with a broad cross section of the Indonesian elite and general population.

- *Identify particular areas of cooperation that demonstrate U.S. interest in problems Indonesians care about.* The United States should craft initiatives to build personal and institutional ties by addressing not only U.S. priorities but also issues of particular interest to Indonesians. To that end, the United States might offer to conduct joint scientific research on agriculture and oceanography, with specific support, for instance, to existing endeavors such as the Coral Triangle Initiative and Heart of Borneo project. Washington should also consider ways to help support private initiatives that aid Indonesia's educational institutions.
- *Work to include Indonesia in mini-lateral groupings as well as other international agenda-setting forums.* Even as the United States looks to develop the bilateral relationship on the basis of a set of common interests and values, Washington should advocate the inclusion of Indonesia in mini-lateral as well as global forums, just as Indonesia has quietly supported U.S. participation in Asian regionalism. Indonesia's involvement in the G-20 should be a prototype for its inclusion in other major processes to address issues such as climate change, energy security, global health, and even Middle East peace, as one of an expanding group of new power players. By promoting Indonesia's inclusion in these forums, the United States would demonstrate with even greater sincerity its respect for and commitment to promoting Jakarta's status as a major player and global partner.

The United States should also consider practical ways to work with Indonesia in conjunction with allies Japan, Korea, and Australia,<sup>4</sup> and along with India, China, and others, discuss possible outlines of a future regional architecture.

- *Continue to develop military-to-military relations and to boost the capacity of the National Police while remaining committed to reform.* While the TNI and the Indonesian National Police remain imperfect institutions, the trend line by all accounts is moving in the right direction. Indeed, much progress has already been made in modernization, professionalization, and adherence to internationally acceptable norms of conduct, including full civilian control. Assistance to the Indonesian military and national police in fact has been a major cause for a sharp reduction in incidences of piracy in the region and a reduction in the threat of terrorism within Indonesia's borders. Using the same model it currently employs, the United States

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<sup>4</sup> Australia is a particularly useful partner for the United States as it engages Indonesia. Indonesia and Australia today enjoy strong economic, social, diplomatic, and security relations despite a difficult period a decade ago when Australia supported East Timor independence. Australia has worked assiduously to assist Indonesia in counterterrorism and law enforcement capabilities independently and alongside the United States since the Bali bombing. The 2006 Lombok Treaty created a legal framework for close Indonesia-Australia security cooperation, and the two countries have joined together to chair the Bali Democracy Forum. Due to Australia's strong interest, knowledge, and experience working with Jakarta, the United States should coordinate closely with its ally in Canberra on Indonesia policy.

should continue to help Indonesia help itself and take advantage of opportunities to engender goodwill—and best practices—within the military establishment in the broader interest of Indonesian society and security.

To that end, the United States should also help enhance Indonesia’s civilian defense capacity by continuing to support the establishment of an Indonesian Defense University, which began operation in March 2009, and assist with professional programs in defense programming and budgeting. The U.S. Department of Defense “Indonesia Defense Reform” program, modeled after the Philippine Defense Reform program, should also receive full U.S. government, including congressional, support.

- *Enhance parliamentary exchange and knowledge of Indonesia on Capitol Hill.* Given the growing importance of Indonesia, it is unfortunate that knowledge and understanding of the country is limited in the U.S. Congress. While one can hardly fault the Congress alone for this state of affairs given the corresponding lack of knowledge about Indonesia in the U.S. government and population at large, it is clearly not in the U.S. interest that this situation continues. Congressional staff members have suggested that dispatching assistant secretaries for Asia and deputy assistant secretaries responsible for Southeast Asia to consult with Congress periodically about Indonesian affairs will be welcome and help promote understanding of Indonesia, raising Indonesia’s status in return. Given that the DPR is an increasingly relevant body to Indonesian foreign policy, with an imperfect understanding of the United States itself, the two countries can kill two birds with one stone by effecting a regular parliamentary exchange.
- *Be careful in international conduct.* Indonesia official and popular sentiment toward the United States remains highly sensitive to perceived inequities and injustices in U.S. foreign policy. Thus, one cannot divorce the future health of the U.S.-Indonesia relationship from the overall conduct of U.S. foreign policy, particularly in the Middle East. To the degree that the United States conforms to international law, respectfully consults with the international community over its actions, handles international problems according to principles of equity, justice, and balance among various interests, treats its allies, friends, and adversaries alike with mutual respect, and operates to the maximum degree possible through the United Nations and other multilateral forums, it will appeal to the sensibilities of Indonesians and facilitate the continued development of the relationship over time.

It may be argued that without a strong and coherent Indonesia policy, the United States cannot have a strong and coherent Southeast Asia policy. As one senior U.S. interlocutor noted, Indonesia’s power within ASEAN in terms of economy and population is akin to Germany, the United Kingdom, France, and Poland put together within the European Union. Likewise, without strong relations with Indonesia, the United States will have difficulty achieving many of its global aims over the long run, whether climate change, energy security, dealing with the global threat of violent Islamism, or even effectively managing the rise of China. If a new partnership is

to succeed, however, it must be based on mutual respect and equality. Indonesia is a large, proud, and fiercely independent country; it will accept nothing less.

# 6

## MALAYSIA

Since Malaysia gained its independence in the late 1950s, the conduct of U.S.-Malaysia relations has been quiet, almost off-camera, and attracting attention only when short-term political tensions flare. As a result, the U.S. public image of Malaysia does not fully encompass its role as a steady security partner or its place as the 12th-largest trading partner of the United States, despite a population of only 27 million.

Malaysians and Americans alike maintain that the core of the bilateral relationship is strong but that both countries are in the midst of political transitions. These changes provide the opportunity for a reinvigoration of relations but also carry the risk of policy drift or heightened tensions. In this respect, more is at stake than the bilateral relationship: Malaysia's size belies its voice and influence in the Islamic world and in Asia-Pacific regional architecture.

### Summary Recommendations

- Resolve the matter of the U.S.-Malaysia free trade agreement (FTA) early in the new administration.
- Cushion the impact of the economic crisis—and possible damage to the U.S. image—by offering technical assistance to Malaysia in its attempt to restructure the economy.
- Understand and acknowledge the impact of U.S. policy in other regions, particularly the Middle East, on Malaysian views of the United States.
- Support Malaysia in its role as a conflict mediator in the Muslim world.
- Pay attention to human rights issues in Malaysia but avoid personalizing them.

### Background

During the Cold War, Malaysia achieved prominence in the international community before it was an independent state. The Malayan Emergency, in which British and Malaysian security forces faced in internal Communist threat, offered an early paradigm for counterinsurgency. Some techniques used during the emergency, such as the classification of rural areas according to their vulnerability to communism and the use of “strategic hamlets,” were applied to the Vietnam War in the 1960s. The differences between Malaysia and Vietnam, and between the nature of the conflicts in each country, made those practices less successful in Vietnam, but the Malayan Emergency survives in modern warfare as an example of a successful counterinsurgency campaign.

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## MALAYSIA

- Population: 25.3 million (2008)
  - GDP: \$214.7 billion (2008)
  - Top Five Trading Partners (2007)
    1. United States (\$43.5 billion)
    2. Singapore (\$42.6 billion)
    3. Japan (\$35.2 billion)
    4. China (\$34.4 billion)
    5. Thailand (\$16.6 billion)
  - U.S. Trade Deficit with Malaysia: \$11.6 billion (2007)
  - Top U.S. imports from Malaysia
    1. Heavy machinery
    2. Electronics
    3. Apparel and footwear
  - Top U.S. Exports to Malaysia
    1. Electronics
    2. Metals (including iron and steel), metal tools, and metal manufactured goods
    3. Heavy machinery
  - Stock of U.S. FDI in Malaysia: \$15.7 billion (2007)
  - Stock of Malaysian FDI in the United States: \$355 million (2007)
  - Malaysian Students in the United States: 5,428 (2008)
  - U.S. Students in Malaysia: 121 (2007)
  - Malaysian Visitors to the United States: 50,597 (2006)
  - U.S. Visitors to Malaysia: 223,249 (2008)
  - U.S. Foreign Assistance to Malaysia (FY2008): \$2,874,000 of security assistance
  - Major Agreements/Documents
    - Bilateral Trade and Investment Framework Agreement (TIFA): May 10, 2004
  - U.S. Arms Sales to Malaysia, 2000–2006: \$59 million (5.44% of Malaysia's total arms imports)
  - Military Exchanges, Exercises, and Ship Visits: 131 total events (FY2007)
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Building relations with the United States was a central objective in Malaysia's early foreign policy. The Southeast Asian security environment during the Cold War was one reason, although Malaysia-U.S. security relations were not as close as Washington's relations with its two treaty allies in the region, Thailand and the Philippines. In this period, Malaysia remained closer to the United Kingdom, its former colonizer. Notably, U.S.-Malaysia security ties strengthened after the fall of Saigon in 1975, while U.S.-Thailand security relations were dramatically downsized as a result of the U.S. withdrawal from Vietnam.

However, bilateral economic relations and educational exchange with the United States had earlier become central to Malaysian domestic policy. The 1969 race riots, which were targeted at Malaysian ethnic Chinese, led to leadership changes in the Malaysian political system that would emphasize Malay interests over those of the other ethnic groups. The New Economic Policy (NEP), launched in 1971, sought to raise economic and educational levels of ethnic Malays, presumably helping to prevent future incidents of communal violence such as the anti-Chinese riots.

One element of the NEP was funding for Malay students to study abroad, a majority of which subsequently studied in the United States. The Malaysian economy was structured to emphasize oil and gas, palm oil, and manufacturing, all of which were assumed would generate employment and income for the Malay community. Foreign investment was directed to these sectors, since Malay political elites were reluctant to depend heavily on domestic capital, which came largely from the Malaysian Chinese community. U.S. investment was important to this strategy, and by the end of the 1970s, the U.S.-Malaysia relationship was anchored not just in common security concerns but also in economic interests. The relationship was not without trade frictions. In the 1980s, for example, Malaysia sought to increase its palm oil exports to the United States and was met with resistance from U.S. soybean producers. On the other hand, in that same decade Malaysia acceded to U.S. demands for legislation to protect American copyrights, while Thailand initially resisted those demands.

In the 1980s Malaysia also expanded its foreign policy beyond a primary focus on bilateral relations and toward a more multilateral approach. Kuala Lumpur had two objectives in this shift. First, it aimed to emerge from the shadow of relations with its two largest international partners, the United States and the United Kingdom, and lessen its dependency on both. Second, it wanted to amplify Malaysia's image and voice in the international community with new diplomatic relations and membership in new international groups. For example, in 1974 Malaysia normalized relations with China ahead of several other Southeast Asian nations.

However, it was not until Prime Minister Mahathir Mohamad came to power in the early 1980s that these shifts in Malaysian foreign policy were institutionalized, and Malaysia could carve out a leadership role in the Asia-Pacific region. Mahathir sought to change the center of gravity in Malaysian foreign relations from the West to Asia and the developing world more broadly. His "Look East" policy focused on Japan as the economic epicenter of Asia and on the North-South divide between the West and the developing world that was enshrined in the debate over UN Transitional Authority in Cambodia (UNTAC).

Malaysia's multilateral portfolio was a crowded one and included active membership in the United Nations, the Association of Southeast Asian Nations (ASEAN), the Non-Aligned Movement, and the Organization of the Islamic Conference (OIC). Kuala Lumpur considered all of these affiliations to be important to Malaysia's international image but found particular cachet in OIC membership.

Through its active role in the OIC Malaysia was able to establish itself as a mediator in the Islamic community and a supporter of moderate Islam. An important milestone in this regard was Kuala Lumpur's invitation to join the OIC's International Islamic Peace Committee (IPC), established to help resolve the Iran-Iraq War. Mahathir believed that Malaysia's status as a non-Arab Islamic state would give it special bona fides in this regard. He bridled at Iran's characterization of the war as a jihad but continued to put Malaysia forward as a "neutral" Islamic actor. In 1986, Malaysia was instrumental in helping to broker readmission to the OIC for Egypt, which had been expelled for signing the Camp David Accords.

By the 1990s, even the West had come to regard Malaysia as a useful mediator on occasion. During the Bosnian conflict in the middle of the decade Washington urged Malaysia to become active in aid of the Bosnian Muslims, in the hope that Kuala Lumpur would be able to reduce Libya's influence on them. Also in this decade, Malaysia attempted to broker peace negotiations between the Philippine government and the Moro Islamic Liberation Front (MILF) in Mindanao and even went as far as to urge Malaysian businesses to invest in the southern Philippines in support of the peace process. When the negotiations failed in late 2008 over the issue of Moro ancestral lands, Kuala Lumpur lost a considerable investment in time and effort. In a more low-key and informal manner, Malaysia has attempted to ameliorate communal tensions in Southern Thailand by offering development assistance to Thai Muslims. This is a more delicate undertaking, since Malaysia and Thailand have not always agreed on the causes of tension in their border populations.

But Mahathir's redirection of Malaysian foreign policy took its toll on the country's relations with its Western partners. His proposal for the New Asia Economic Caucus in the early 1990s met with opposition from the United States and other Western economic powers and was set aside when APEC was introduced to the region. Mahathir held fast to his independent and somewhat cantankerous position, although it did not seriously undermine U.S.-Malaysia economic and security relations. When the 1997 Asian economic crisis hit, Mahathir rejected the IMF bailout and the structural adjustment package that accompanied it to impose domestic currency controls. Malaysia did not escape the pain of the crisis altogether, but the controls allowed the economy to avoid the more serious damage that afflicted neighboring Indonesia.

In the 1980s and well into the 1990s, the United States and Malaysia had repeated episodes of political discord over the ruling style of Prime Minister Mahathir and that of the United Malays National Organization (UMNO) Party. The revolving door of Supreme Court justices dismissed by Mahathir in the late 1980s, and the trial and imprisonment of Deputy Prime Minister Anwar Ibrahim after the economic crisis, drew sharp criticism from the United States and other Western countries. Washington in particular was critical of Malaysia's Internal Security Act (ISA), which enabled the government to detain suspects without trial.

The events of September 11, 2001, enabled the United States and Malaysia to put relations on a new footing through enhanced security cooperation. Intelligence sharing between the two countries dates back to the Cold War, but it was strengthened as the United States launched the

global war against terrorism. In 2002, Malaysia and the United States jointly sponsored the establishment of the Southeast Asia Regional Counter-Terrorism Center in Kuala Lumpur. Malaysia itself had been one base for the Jemmah Islamiyah, the Southeast Asian network of radical Islamists, which had been established by Malaysian and Indonesian fighters from the mujahideen in Afghanistan in the 1980s. Moreover, Malaysia had been identified as one location where planning for the September 11 attacks had taken place. There was little doubt that cooperation with the United States on counterterrorism spoke to vital Malaysian security interests. After September 11, the United States downplayed concerns about the Malaysian ISA, and Mahathir visited the United States before he retired from office.

U.S.-Malaysia trade levels have remained relatively high in recent years, but investment levels have declined. In the aggregate, the United States has been Malaysia's largest foreign investor since the 1970s. However, the pull of investment in China for U.S. business and, conversely, greater diversity in Malaysia's foreign investment portfolio (including from China) have diminished the impact of U.S. investment in Malaysia. This trend will likely be exacerbated by the current global economic crisis. Nevertheless, the concentration on manufacturing in U.S.-Malaysia economic relations remains critical to Malaysia's continued economic development.

Since 2006, the focus of the U.S.-Malaysia economic relationship has been on attempts to negotiate a bilateral free trade agreement. In 2003, the United States signed and ratified an FTA with Singapore, its first free trade agreement with an Asian nation. FTA talks with Thailand foundered over pharmaceutical issues and were suspended in 2006 when the Thai political situation made further discussion difficult. U.S.-Malaysia FTA talks commenced in 2006 and had a year to conclude before the U.S. president's fast-track authority expired in March 2007. They did not meet that deadline, having lagged over such issues as government procurement and the role of Malay affirmative action programs in procurement. Incoming Prime Minister Najib Tun Razak has expressed support for the FTA, but it is not clear when, if ever, negotiations can be resumed.

Although U.S.-Malaysia economic relations are diminishing to some degree, security relations have strengthened in recent years. The gap is likely to grow wider with the present economic crisis, putting greater pressure on security ties to keep the broader relationship on even keel. Security cooperation is spread out over a variety of issue areas (counterterrorism, maritime security) and forms of cooperation. The latter include Malaysia's participation in the annual Cobra Gold exercises, sponsored by the United States, Thailand, Singapore, and Japan, and joint coast guard exercises. Training and exchanges under the International Military Education and Training (IMET) program strengthen fraternal relations between the two countries' militaries.

Malaysia's relations with China are well established, as are its numerous ties to countries in the Islamic world. In recent years, however, there has been new momentum in Malaysian relations with Iran, and Iran is Malaysia's third-largest investor. Malaysia-Iran relations provided Tehran with an entry point into Southeast Asia. The relationship has broadened to include trade, technology sharing, agriculture, and counternarcotics cooperation. In December, the two

countries signed an agreement to have Malaysia's signature car, the Proton Gen 2, assembled in Iran. The Obama administration's policy toward Iran could have an impact on U.S.-Malaysia relations. If Washington initiates a dialogue with Iran, the U.S. image in Malaysia is likely to improve. On the other hand, if the United States takes a more confrontational approach to Iran, it could add a negative edge to U.S.-Malaysia relations.

Political change in both countries will challenge policymakers to maintain momentum in the relationship during the period of adjustment. Malaysia is presently undergoing a transition from Prime Minister Abdullah Badawi to his deputy, Najib Tun Razak. The transition follows the UMNO's preferred method of transferring power, in which a successor is appointed and allowed to consolidate his position before submitting to national elections. Najib is the son of former prime minister Tun Abdul Razak, who came to power after the 1969 anti-Chinese riots.

Najib may have a more difficult time than usual in consolidating his power base. In March 2008 polls, UMNO retained its majority but with the slimmest margin they had ever had. Najib will be under pressure to strengthen public support for UMNO at a time when the economic crisis can be expected to erode it.

Najib's primary political rival for the foreseeable future will likely be Anwar Ibrahim, who returned to politics last year after his release from prison and several years abroad, much of that time in the United States. Anwar's victory in August by-elections gave him a political base in the parliament, where he has repeatedly attempted to organize a coalition to bring down the Badawi government. In 2008, Anwar was again arrested and tried for sodomy, but the government's case against him was widely viewed to be contrived. The surrounding media storm emphasized Anwar's ties to the United States and in doing so briefly revived tensions in the relationship over this issue, similar to those of the late 1990s. Although Najib has expressed a strong wish to strengthen relations with the United States, domestic political friction may make that more difficult.

As well, tensions in the bilateral relationship could worsen over the Malay majority's treatment of Malaysian minorities, particularly its Indian population, and its policy toward Burmese refugees. Human rights groups have recently reported attempts by Malaysian border authorities to extort money from and otherwise threaten Rohingya refugees from Burma. The change in U.S. administrations is likely to raise expectations in Malaysia that the United States will pay closer attention to human rights issues such as these.

## Findings

Interlocutors in Malaysia offered a range of views on the bilateral relationship:

- *Malaysian interlocutors reported significant deterioration in the U.S. image in Malaysia but expressed confidence that the situation could be turned around quickly with appropriate policies. They pointed to the Iraq War and Bush administration doctrine of preemption as the primary causes of the deterioration and expressed confidence that the new administration would*

remedy these situations. However, they also indicated nervousness that Malaysia may be slighted in favor of its larger Muslim-majority neighbor, Indonesia, and Singapore, which is a de facto center for regional security dialogue.

- *Malaysian trade officials believe it is possible to bring the bilateral free trade agreement to a rapid resolution.* Beyond the desire for a conclusion to this chapter in U.S.-Malaysia economic relations, completing the FTA would be an early success for the new Najib administration. Interlocutors were aware of the obstacles to early action on the FTA but believed that without a vigorous effort to keep it on the policy screen, negotiations would be delayed indefinitely.
- *Some Malaysians feel that the United States does not properly credit Malaysian policies when they work.* For example, interlocutors maintained that the United States had never acknowledged that the current controls imposed during the Asian economic crisis had worked, despite the fact that the IMF had not prescribed them. More than one interlocutor pointed out the irony of U.S. views on the Internal Security Act, which appeared to change after September 11. Referring to the USA Patriot Act, one said, “We’ve had your controversial laws forever.”
- *Although Malaysian officials support cooperation on counterterrorism, they eschew the idea that Southeast Asia is or ever was a “second front” in the global war against terrorism.* Interlocutors remarked that portraying the region as a second front exaggerated the threat. Americans had underestimated the threat before September 11 and are now overreacting. Moreover, couching terrorism and counterterrorism as a “war” encourages the perception that coercion and force are the best defenses against insurgency. Like Southeast Asians in several other Southeast Asian countries, interlocutors believed that the United States should focus more on root causes that widen economic and educational gaps and exacerbate communal tensions.
- *Both official Malaysians and nongovernmental analysts believed that the United States should not allow its ASEAN policy to be hostage to the political situation in Burma.* Like many other interlocutors in the region, Malaysians expressed frustration with efforts to persuade the Burmese regime to liberalize. They also believed that the regime was willing to grant access to the UN special representative for Burma that it would not give to ASEAN officials. This point was offered as a warning that pressuring ASEAN to pressure the regime would have limited value, since it appeared that ASEAN was not able to influence the junta. Some interlocutors ventured the opinion that the best approach, both for ASEAN and the United States, is to downplay Burma’s significance until there is a genuine opening in the country’s political system.
- *Malaysian interlocutors expressed the need for stronger U.S.-ASEAN economic relations.* The call for the U.S. secretary of state to attend the ASEAN post-ministerial meetings every year amounts to a chorus in Southeast Asia. Malaysians also believe that ASEAN should be used more extensively as a vehicle for economic, as well as diplomatic, relations. One interlocutor remarked that the U.S. trade representative is attentive to APEC and to bilateral relations but is largely absent in U.S. relations with ASEAN.

## Recommendations

- *Resolve the matter of the U.S.-Malaysia FTA early in the new administration.* Beyond the outstanding substantive issues in the agreement, current economic circumstances in the United States and their impact on domestic policy do not favor an early resolution. Both countries are in the midst of political transitions, complicated by the need to manage the consequences of a severe global economic crisis. Moreover, international trade policy is still under review in the United States. It is not known when, if ever, Congress will restore the president's fast-track authority to negotiate trade agreements. In any event, the Obama administration must first address a queue of FTA agreements from the Bush administration, including the critical U.S.-Korea FTA. Despite these factors, the United States and Malaysia should make an effort to determine if the proposed bilateral FTA is viable and, if so, when negotiations can reasonably be expected to resume. If it is not viable, the two governments should consider whether trade can be strengthened by including Malaysia in the P-4 process or another regional economic framework.
- *Cushion the impact of the economic crisis—and possible damage to the U.S. image—by offering technical assistance to Malaysia in its attempt to restructure the economy.* The government has decided to make a major shift in this area to liberalize services and deemphasize manufacturing. In pursuit of a services economy, Malaysia needs management expertise, technology, and human resource training to achieve this goal.
- *Understand and acknowledge the impact of U.S. policy in other regions, particularly the Middle East, on Malaysian views of the United States.* This will be particularly important as the Obama administration makes adjustments in policies toward Iraq and Afghanistan. Washington's position on the Israeli-Palestinian conflict carries even greater weight in Malaysian views of the United States, and U.S. policy toward Iran is likely to be almost as important. Obviously, the United States will tailor its Middle East policies according to U.S. vital interests and conditions on the ground. However, U.S. diplomats and other interlocutors should endeavor to engage Malaysian Muslims on these topics on a regular basis, to enable Malaysia to voice its opinions and concerns.
- *Support Malaysia in its role as a conflict mediator in the Muslim world.* In discussions with Manila on restarting talks with the Moro Islamic Liberation Front (MILF), Washington should take care to underscore Malaysia's efforts in the peace process and include Kuala Lumpur where possible.
- *Although U.S.-Malaysia security relations are solid, some modifications on the margins can strengthen them further.* Malaysian security officials expressed gratitude for the frequency of visits from the U.S. military but pointed out that the presence of U.S. "uniforms" far outweighs that of American civilian defense officials. They indicated that they believed this excluded them from the policy levels of the U.S. defense structure. This could easily be remedied by routing more U.S. civilian defense officials to Kuala Lumpur when they are in

the region. To offset Malaysian views that the United States is overly focused on counterterrorism in the relationship, the Washington should focus on emerging areas of military cooperation, such as maritime security. Malaysians are also seeking to purchase more U.S. military equipment but find the procurement process to be long and complicated. Washington should discuss with Kuala Lumpur ways to shorten that process.

- *Pay attention to human rights issues in Malaysia but avoid personalizing them.* Rule of law and related human rights issues bear watching, but the United States will be a more credible interlocutor on them if it is not perceived to be favoring specific individuals in the Malaysian political arena. In the past, this kind of close identification with personalities has been shown to have an incendiary effect—on the political dispute itself but also on U.S.-Malaysia relations. At the same time, the United States should continue to object if the ruling party uses “rule by law” and attempts to quell political opposition by misusing the legal system.
- *Greater attention to educational and cultural exchanges could pay off in relations with the Malaysian younger generation.* Malaysian analysts reported a clear division in the younger generation, between those who have studied or traveled abroad and those who have not. They believed that those who have been abroad are more open to liberal values. Malaysian students no longer study in the United States in numbers equal to 1980s levels for a variety of reasons, including U.S. visa practices and increased opportunities in other countries. Malaysia has long since “graduated” from U.S. economic assistance, but U.S. policymakers should consider the benefit to the bilateral relationship of funding some educational exchanges, or of devising cost-sharing arrangements. Some programs could be help address Malaysia’s goal of strengthening its research and development sector.

# 7

## VIETNAM

Despite obvious historical complications, U.S.-Vietnam relations are stronger at this time than at any other point in their history. War legacy issues still influence bilateral dynamics, but the contemporary relationship is forward looking, based to a significant degree on economic cooperation. Since the U.S.-Vietnam Bilateral Trade Agreement took effect in 2001, the United States has become Vietnam's largest export destination. Economic ties deepened when Vietnam entered the World Trade Organization (WTO) in 2007 and Congress granted it permanent normal trade relations (PNTR) status. The United States is the fourth-largest investor in Vietnam, but foreign direct investment (FDI) carries symbolic as well as economic weight: when the Intel Corporation announced that it would locate a major microchip facility in Ho Chi Minh City, disappointing a number of other Asian candidates, it underscored Vietnam's status as a rising economic star in the global marketplace. In the last administration, the prospect of negotiating a U.S.-Vietnam free trade agreement was placed on the table in principle.

Although these economic aspects are emblematic of a new start in U.S.-Vietnam relations, they do not fully describe or account for the progress made in other policy areas. A cautious but emerging security relationship has fostered a sequence of military-to-military exchanges, each of them broadening the range of cooperation slightly. U.S. assistance to Vietnam since normalization has benefited both wartime and postwar generations, with support for victims of landmines and other war injuries but also with substantial attention to strengthening the Vietnamese educational system. Moreover, U.S.-Vietnam relations are no longer exclusively bilateral. The two countries meet in an increasing number of international and regional organizations, from the UN Security Council to the ASEAN Regional Forum.

However, U.S.-Vietnam relations have a number of built-in constraints despite brisk progress in the past 15 years. Pockets of distrust remain on both sides, an artifact of the war and the subsequent two decades of political and economic isolation from one another. Differences between the two countries' political systems occasionally cause tension and surface most often over human rights issues. Finally, Vietnam's geostrategic position in the Asia-Pacific region creates a complex triangular dynamic among Beijing, Washington, and Hanoi that compels Vietnamese policymakers to consider carefully any significant moves in external power relations.

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## VIETNAM

- Population: 86.1 million (2008)
  - GDP: \$90.9 billion (2008)
  - Top Five Trading Partners (2007)
    1. China (\$15.9 billion)
    2. Japan (\$12.2 billion)
    3. United States (\$11.8 billion)
    4. Singapore (\$9.8 billion)
    5. South Korea (\$6.5 billion)
  - U.S. Trade Deficit with Vietnam: \$8.4 billion (2007)
  - Top U.S. imports from Vietnam
    1. Apparel and footwear
    2. Furniture and bedding
    3. Food, grains, cereals, seeds, plants, fruit, animal feed, dairy products, meat, etc.
  - Top U.S. Exports to Vietnam
    1. Heavy machinery
    2. Food, grains, cereals, seeds, plants, fruit, animal feed, dairy products, meat, etc.
    3. Road vehicles and parts
  - Stock of Vietnamese FDI in the United States: less than \$500,000 (2007)
  - Stock of U.S. FDI in Vietnam: \$281 million (2007)
  - Vietnamese Visitors to the United States: 24,068 (2006)
  - U.S. Visitors to Vietnam: 408,300 (2007)
  - Vietnamese Students in the United States: 8,769 (2007)
  - U.S. Students in Vietnam: 550 (2006)
  - U.S. Foreign Assistance to Vietnam (FY2008): \$102,294,000
    - Public Health: \$86,000,000
    - Economic Development: \$2,420,000
    - Security: \$3,261,000
  - Major Agreements/Documents
    - Normalization of Relations: July 11, 1995
    - U.S.-Vietnam Bilateral Trade Agreement: December 10, 2001
    - Bilateral Trade and Investment Framework Agreement (TIFA): June 21, 2007
  - No Arms Sales on Record
  - Military Exchanges, Exercises, and Ship Visits: 77 total events in FY2008. (Vast majority were visits, attending seminars, and conducting joint personnel recovery missions.)
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## Summary Recommendations

- Soften the impact of the economic crisis by emphasizing long-term commitment to U.S.-Vietnam trade and targeting a portion of economic assistance to those Vietnamese most affected by the crisis.
- Advance military-to-military relations at an incremental but brisk pace.
- Expand cooperation on education to the greatest extent possible.
- Maintain attention to human rights but also support indigenous trends toward liberalization in Vietnam.
- Encourage dialogue and linkages between the National Assembly of Vietnam and the U.S. Congress.
- Strengthen humanitarian cooperation on war legacy issues; specifically, find a permanent funding mechanism to address the exponential impact of Agent Orange.
- Work with Vietnam to strengthen U.S. relations with ASEAN when Hanoi assumes the chair in 2010.

## Background

French colonization largely defined Vietnam's relations with the West for the second half of the nineteenth century and the first half of the twentieth. Many American and Vietnamese scholars trace the modern U.S.-Vietnam relationship to the World War II era, when the nationalist Viet Minh coalition worked with Allied forces against the Japanese. When Ho Chi Minh declared Vietnam's independence immediately after Japan's surrender in 1945, his proclamation was inspired in part by the U.S. Declaration of Independence. Ho anticipated U.S. support for the move, not only because of Viet Minh cooperation with the Allies but also because Franklin Roosevelt had pressured Charles de Gaulle, leader of the Free French during the war, to accede to independence for French Indochina.

However, Mao Tse-tung's victory in China in 1949 established Vietnam as a critical Cold War domino for U.S. policymakers. After the Viet Minh defeated the French at Dien Bien Phu in 1954, Vietnam was partitioned by international agreement. The United States threw its support behind South Vietnam, while China and the Soviet Union provided assistance to the North. The role of U.S. military advisers to South Vietnam during the administrations of Dwight Eisenhower and John Kennedy gave way to combat roles for U.S. troops under Lyndon Johnson. The United States also called on its treaty allies in the Asia-Pacific region—South Korea, Thailand, the Philippines, Australia, and New Zealand—to contribute forces.

The organizing principle of U.S. security policy in Southeast Asia at the time was the “domino theory,” which held that the fall of South Vietnam would result in the spread of communism to the rest of the region, including Malaysia, Singapore, and Indonesia. This framework pulled Laos

and Cambodia more directly into the war, since the external parties viewed the three states of the former Indochina as “one strategic battlefield.”

The war thus effectively divided the region, divisions that lasted until the early 1990s when the Cold War was over and Vietnam, Laos, and Cambodia joined ASEAN. Previously, in the early years after its establishment in 1967, ASEAN was a loose configuration of non-Communist countries dedicated to protecting their common security through diplomatic dialogue and long-range plans for economic integration. New Communist governments in Vietnam, Cambodia, and Laos after 1975 and Vietnam’s invasion of Cambodia further cemented divisions between Communist and non-Communist Southeast Asia, and for most of the 1980s ASEAN functioned as a de facto bloc to check Vietnam’s feared expansion westward.

Vietnam-China relations were an added complication in the post-1975 regional dynamic. A major source of aid and political support to the Viet Minh during the first Indochina War (against the French) and to North Vietnam during the second (which involved the United States), relations between China and Vietnam deteriorated rapidly after the fall of Saigon in 1975. By then Vietnam was leaning toward the Soviet Union, China’s primary political rival within the Eastern bloc. Moreover, the aggregate effect of the 1954 victory at Dien Bien Phu and the 1975 reunification was to change Vietnam’s self-image from a country held back and divided by a century of international interference to a small but adroit power that had learned how to maneuver among the larger powers to its advantage. Vietnam prevailed in a 1979 border conflict with China. Beijing’s support for the Khmer Rouge in the Cambodian conflict during the 1980s set it squarely against Hanoi for most of the decade.

U.S.-Vietnam relations also followed a difficult trajectory after the war. Attempts to normalize in the latter half of the 1970s failed, and the bilateral relationship in the 1980s was defined primarily by the U.S. economic embargo against Vietnam. To Washington policymakers, the embargo had multiple purposes. It maintained pressure on the Vietnamese government to withdraw from Cambodia and, in the domestic sphere, to soften its treatment of political prisoners from the former Saigon government. It also enabled successive U.S. administrations to signal to the American public that it would take a hard line against Hanoi as long as the fates of thousands of American prisoners of war and soldiers missing in action (POWs/MIAs) were still unknown. It reassured China, which had normalized relations with the United States in the late 1970s and with whom the United States was enjoying a honeymoon period. And it implicitly censured the Soviet Union, one of a series of U.S. policy measures taken in response to the Soviet invasion of Afghanistan. In this regard, the catch phrase for the embargo was often expressed as “What hurts the Vietnamese will hurt the Soviets.”

A convergence of factors and trends enabled the United States and Vietnam to move beyond this dynamic and consider normalization seriously in the early 1990s: (1) Vietnam’s withdrawal from Cambodia; (2) Hanoi’s participation in the UN peace process for Cambodia; (3) Vietnam’s new policy of economic reform, or *doi moi*, which encouraged trade relations with the West and with ASEAN; (4) the pressure of American business anxious to establish ground-floor relations with

Vietnam before the presumed economic takeoff; (5) stronger cooperation in accounting for American POWs/MIAs; (6) the Vietnamese government's increasing willingness to release individuals held in reeducation camps after the war; and (7) the collapse of the Soviet Union, Vietnam's most important external patron in the 1980s.

Some of these changes, such as POW/MIA cooperation and the release of prisoners from reeducation camps, had been specified as steps in the "road map" toward normalization. The "road map" configuration cast U.S.-Vietnamese relations as a linear march, with progress in one area linked to benefits in another. In 1994, President Bill Clinton lifted the economic embargo against Vietnam. In 1995, the United States and Vietnam normalized diplomatic relations, and in 2000, Clinton became the first U.S. president to visit Vietnam after 1975. At the same time, Vietnam pursued a path toward normalization with non-Communist Southeast Asia, officially entering ASEAN in 1995, and a cautious process of improving relations with China. Normalization with the United States was a key element in Vietnam's search for a new role in the international community but by no means the only one.

Once normalization was achieved, the rapid expansion of U.S.-Vietnam relations sometimes presented a challenge in itself. Normalization changed the modus operandi of the relationship, an adjustment Vietnam has found difficult at times. The structured approach of the "road map" era gave way to the complexities and occasional contradictions of the U.S. policymaking process. The "road map" process had been managed by a small group of executive branch officials on both sides, but after 1995 a larger group of actors came into play.

Most important, Congress became more central in U.S. policy toward Vietnam. Congressional approval was required for key trade agreements, but at times the legislature took a more strident approach to human rights and to economic issues that affected their constituencies. Significant changes were also seen on the Vietnamese side. Foreign and defense policy mechanisms became increasingly complex as Vietnam's normalization with a range of nations progressed and, internally, as the executive branch reconfigured its relations with an increasingly assertive National Assembly.

A range of new issues were rapidly introduced into the bilateral policy portfolio. For example, the primary U.S. human rights focus in the lead-up to normalization was the release of prisoners in political reeducation camps. After normalization, that issue area expanded rapidly to include political opposition and religious freedom. Soon after the Bilateral Trade Agreement went into effect, the seafood industry based in the American south exerted strong pressure on the executive branch and Congress to prohibit Vietnamese catfish and shrimp imports, which competed with indigenous products. Some Vietnamese policymakers appeared to view these changes as "bait and switch" tactics on the part of the United States, but in general they adapted to the more complex policy environment.

Bilateral issues of a social nature have proved to be more sensitive. Vietnam's relations with the Vietnamese-American community are critical to the health of the overall bilateral relationship. Remittances from overseas Vietnamese—estimated to bring an annual U.S.\$2 billion into the

country but informally thought to be twice that amount—have been a primary factor in reconciliation between the Communist government of Vietnam and the sizeable diaspora created in the wake of the war. Recent policy initiatives from the government, such as a proposal to enable overseas Vietnamese to enter Vietnam without visas, indicate a desire to advance the reconciliation process.

However, the Vietnamese-American community remains divided over relations with its former homeland; some older generation Vietnamese-Americans in particular find it difficult to move beyond the events of 1975. In the past decade, Vietnamese-Americans have pressed their local governments to fly the flag of South Vietnam at public events rather than that of the Socialist Republic of Vietnam, and they succeeded in having one southern California locality, with a sizeable Vietnamese-American population, declared a “Communist free zone.” These actions have drawn strong objection from the Vietnamese government and necessitate explanations from U.S. policymakers on the constraints of the federal government in relations with state and local authorities. In response, Vietnam has launched a systematic outreach to overseas Vietnamese communities in the United States, Europe, and Southeast Asia.

Another set of issues pertains to the legacy of the war, in particular the ongoing impact of dioxin, the toxin in Agent Orange and other herbicides sprayed during the war. For decades after the war, dioxin has continued to leech into the soil and water in areas surrounding large former U.S. airbases where Agent Orange was stored and occasionally spilled, contaminating new generations of Vietnamese. In addition, a wide range of scientists, policymakers, and ordinary Vietnamese citizens believe that exposure to dioxin is related to a higher incidence of birth defects in some population groups in the country. A parallel problem exists in the community of U.S. Vietnam war veterans, who are eligible for compensation from the Veterans Administration for a dozen medical conditions presumed to be linked to dioxin exposure.

However, until recently, the U.S. government did not include Vietnamese citizens in their policies to remedy the impact of Agent Orange. Joint U.S.-Vietnam statements on dioxin and a \$3-million congressional earmark to address the impact of Agent Orange in Vietnam are beginning to change the policy paradigm on this issue. It is obvious, however, that war legacy issues have resonance across the bilateral relationship and that they have a significant influence on the tone, content, and course of the relationship.

Economics and trade continue to be flagship areas in the U.S.-Vietnam relationship. They provide a new rationale for relations, which speaks to Vietnam’s younger generation and which exerts considerable demographic weight in Vietnamese society. Two-way trade has more than quadrupled since the 2001 Bilateral Trade Agreement went into effect, with the balance of trade on Vietnam’s side. At the same time, Vietnam has expanded trade relations with the region’s rising powers, most notably China and, at some distance behind, India, as well as with its ASEAN partners. Nevertheless, a significant portion of the Vietnamese policy community and the Vietnamese public link their prosperity to economic relations with the United States.

Moreover, economics and trade support cooperation in more sensitive areas of policy. Vietnamese have expressed wariness of U.S. exhortations in the area of political development; however, the two countries have been able to cooperate to strengthen areas of legal and administrative reform negotiated under the BTA and the bilateral agreement on Vietnam's entry into the WTO. The mechanisms for cooperation in these areas are two major bilateral programs: the Support for Trade Acceleration and Reform (STAR) program, which aims to strengthen the regulatory framework for Vietnam's market economy; and the Vietnam Competitive Initiative (VNCI), which monitors economic progress in Vietnam's provinces.

The centrality of these issues could make economic downturns more difficult for U.S.-Vietnam relations in the next few years. The full impact of the economic crisis is not yet obvious at this time, in the United States, in Vietnam, or in the global economy as a whole. Prior to the crisis last year, Vietnam was grappling with a number of economic problems, including high rates of inflation, fluctuations in the price of such export commodities such as oil and rice, the consequences of rapid economic growth (especially in urban areas), and growing public discontent over levels of corruption. If Vietnam's economic situation deteriorates significantly for any reason, it will amplify ongoing issues with the United States such as intellectual property protection, market access, and disputes over import levels for specific goods.

Since normalization, U.S.-Vietnam security relations have been largely a matter of taking incremental steps to build confidence between the two security sectors. The pace of this process has accelerated since 2000, when high-level visits and security dialogues between the State Department/Ministry of Foreign Affairs and between defense officials were initiated. The first formal bilateral security dialogue was held in 2008. Ship visits, lower-level military exchanges in Hanoi and at PACOM, and English language training for Vietnamese officers have helped to build goodwill between the two countries' security sectors.

However, Vietnamese interlocutors point out that in the context of Vietnam's expanding security relations, the U.S.-Vietnam relationship is relatively modest in contrast to some other bilateral security ties. They also view congressional restrictions on arms sales as prohibitive, although the U.S. International Traffic in Arms Regulations regarding Vietnam have been modified to allow licenses for trade in certain nonlethal defense items and services.

It is to be expected that the U.S.-Vietnam security relationship would lag behind the bilateral trade relationship at this juncture. However, new areas of cooperation on security are helping to redefine the broader relationship. Both sides are pleased with counterterrorism programs, which offer a new basis for security cooperation that does not refer back to the war. U.S. and Vietnamese security officials are currently discussing programs to train Vietnamese military in peacekeeping operations, which would support an expanded role for Vietnam in the international community. Beyond these individual aspects of the security relationship, the two countries have agreed in principle to elevate the relationship to a new level through a "political-military" dialogue involving the Vietnamese Defense and Foreign Ministries, and the U.S. Departments of State and Defense.

Without doubt, Vietnamese security policy is influenced by Hanoi's emerging relations with both Washington and Beijing. Vietnamese occasionally express private concern about China's movements in the South China Sea, particularly with regard to oil exploration, and its development of the Mekong region. At the same time, they indicate that security ultimately resides in Vietnam's ability to triangulate relations with the United States and China and, in particular, to take care not to raise unnecessary alarm in Beijing over the emerging U.S.-Vietnam security relationship. Vietnam-China relations have a very long history, with periods of close cooperation as well as intense conflict, but Vietnam's geostrategic position will always make it vulnerable to its giant neighbor to the north.

U.S. support for Vietnam's long-term development is demonstrated in bilateral arrangements to strengthen the Vietnamese education sector. The Fulbright Program in Vietnam has seen remarkable growth in recent years. A sui generis arrangement harks back to the war era: in 2000 Congress created the Vietnam Education Foundation, which provides a mechanism for Vietnam to convert into educational scholarships debt owed to the United States incurred by the former Saigon government. The newly established U.S.-Vietnam Task Force on Education, which focuses on tertiary education, marks the importance of this area of cooperation in the bilateral relationship. Beyond educational programs, U.S. assistance to curb HIV/AIDS and counter avian flu in Vietnam are viewed as important to broader Vietnamese society.

A more contentious area in relations is human rights and a subset of that policy area, religious freedom. The manner in which each country frames these issues indicates strong differences in viewpoint and emphasis. American human rights officials and organizations express concern for the government's treatment of political dissidents and for clerics from churches and sects that have drawn suspicion from the government. They are also critical of the government's restrictions on media.

Vietnamese officials respond that personal rights and religious freedom for ordinary Vietnamese are stronger than ever and that economic development, particularly Vietnam's success in cutting the country's poverty rate in half, should also be considered a human right. They also point out that the National Assembly of Vietnam has become more assertive and often challenges the executive branch. The lines are often drawn when a group or individual is viewed as advocating changes in the Vietnamese political system or challenging the political supremacy of the Communist Party of Vietnam. In that regard, some Vietnamese—particularly those from the older generation that are more rooted in the war—express doubts about the ultimate intentions of U.S. human rights policy. Whereas U.S. officials and human rights advocates consider that they are promoting universal rights, some Vietnamese fear that such advocacy could be a Trojan horse, aimed at effecting regime change.

Subtle changes have been observed in the Vietnamese political and social climate in recent years. Nascent Vietnamese nongovernmental groups are emerging that do not overtly challenge the regime but carve out more space for civil society in a range of social and environmental issues. The Vietnamese regulatory framework for civil society organizations is somewhat vague at this

time; this gives experimental groups some room to maneuver but also makes them vulnerable to a government crackdown if they attract negative attention.

A second trend is growing public pressure for government accountability and transparency in Vietnam. The government encourages this to a point, since political legitimacy is increasingly based on performance rather than ideology. The government prefers to initiate and conduct anticorruption efforts itself, although the media has become increasingly active in covering and commenting on corruption. In 2008 when two Vietnamese journalists were arrested for reporting on government corruption, the strength of the public reaction against the arrests surprised government officials.

Despite tensions and some rigidity on both sides, the United States and Vietnam have maintained a regular human rights dialogue, in contrast to the U.S.-China human rights dialogue, which has often been suspended for years at a time. Moreover, the administration of George W. Bush removed Vietnam from the list of Countries of Particular Concern on religious freedom, despite regular recommendations from the U.S. Commission on International Religious Freedom that Hanoi be placed back on the list. Some quarters of Congress have taken a sharper approach, considering draft legislation for much of this decade that would withhold non-humanitarian U.S. assistance to Vietnam until human rights conditions improve. Although such bills have occasionally passed in the House of Representatives, they have never received Senate approval and therefore have died. However, their regular appearance has been a source of ongoing tension in U.S.-Vietnam relations.

War legacy issues are a source of bilateral tension as well, but they are also opportunities to strengthen the relationship. Track-two dialogues on Agent Orange have sparked new humanitarian assistance to Vietnam. Although the earmark by definition is ad hoc, its continued appearance in the congressional appropriation is reassuring to Vietnamese, particularly because a class action suit brought by the Vietnamese Association for the Victims of Agent Orange/Dioxin against U.S. chemical companies that manufactured Agent Orange has thus far been defeated in U.S. courts.

Accounting for American POWs/MIAs still figures in the bilateral relationship, but the issue has been expanded to include attempting to account for the 300,000 missing Vietnamese combatants from the war. As with many other war legacy issues, U.S. veterans groups and other nongovernmental organizations (NGOs) have been the first to offer assistance.

## Findings

In a series of meetings, Vietnamese interlocutors put forward a number of views.

- *Overall, U.S.-Vietnam relations are moving in the right direction.* Echoes from the war will continue to be heard but, as one Vietnamese analyst remarked, “Our historical relations, both good and bad, mean that we understand each other.” Several pointed to the economic relationship as the main driver in forging a new and stronger bilateral relationship.

However, many interlocutors believed that the biggest constraint in U.S.-Vietnam relations is lack of confidence between the two countries. Some thought that the confidence deficit was greater on the Vietnamese side and that many Vietnamese still distrust U.S. motives in policy areas such as religious freedom in the Central Highlands (where a large number of hill people practice “Dega Christianity,” which Hanoi views to be a separatist movement) and general human rights issues.

- *The United States is viewed as insensitive at times to the asymmetries in U.S.-Vietnam relations.* Interlocutors repeatedly raised the issue of trade protectionism—specifically, the catfish issue—and cast it in terms of a huge economy taking advantage of a smaller one. On the other hand, some interlocutors believed that the United States does not sufficiently appreciate that its presence could be used to greater effect. For example, they urged that the United States increase its economic assistance to Vietnam not just for development purposes, but to exert greater influence on the community of donors. One analyst asserted that the United States has a surprisingly “small voice” at donor meetings.
- *A stronger role for the United States in Southeast Asia, particularly in ASEAN, would benefit Vietnam.* Several interlocutors maintained that stronger U.S.-ASEAN relations would help Vietnam to balance regional powers in its foreign policy. However, they reported that the United States is perceived as lacking real interest in Southeast Asia. In the words of one analyst, “The U.S. has left the ball in midfield and given it to the opponents,” the opponents presumably being other regional powers such as China and India.

Beyond the broad benefits of a higher profile and greater activity for the United States in the region, they also believed that Washington might offer suggestions or mechanisms for regional problems. They urged that the United States be more active on Mekong issues and look for ways to assist development of the East-West Transportation Corridor, a network of roads and railroads across mainland Southeast Asia, which some analysts believed gets less attention than the North-South Corridor that runs from southern China to Singapore. They attributed this imbalance to greater effort on the part of China and Thailand to develop the North-South infrastructure.

- *Vietnam has embraced an omnidirectional foreign policy. Progress in U.S.-Vietnam relations will depend in part on Washington accepting and supporting that concept for Vietnam.* Although interlocutors asserted this as a general position, it was also a plea for U.S. understanding of Vietnam’s position with China. “We can change our friends but we cannot change our neighborhood” was a common catch phrase. Analysts and officials repeatedly stressed that Vietnamese relations with the United States and with China are interrelated and that Hanoi seeks to develop relations with both. They also indicated that Vietnam’s interests in the region would be served if Japan were more active in a number of issue areas, from maritime security to taking a more assertive role in the Asian Development Bank.
- *Vietnam aspires to play a more active role in ASEAN.* Interlocutors clarified that Hanoi was not campaigning to become the acknowledged leader in the region, but that “we should be more

active.” Vietnamese leaders are no doubt looking ahead to Hanoi’s chairmanship of ASEAN in 2010 and reflected that the association can achieve greater economic integration immediately, making more of existing programs and regulations. One analyst indicated that Vietnam’s image and role in ASEAN is in transition and that it no longer wishes to be seen merely as the leader of ASEAN’s new members.

- *U.S.-Vietnam relations must be sustained by building stronger ties in the younger generations in both countries.* Interlocutors indicated that many of Vietnam’s friends in the post-1975 era—in the U.S. government, Congress, and the private sector—are aging out of the system. Moreover, the younger generation on both sides approaches the relationship with less baggage and a fresh perspective. The best conduit to build these new bridges in their opinion was educational exchange and cooperation.

## Recommendations

As with other Southeast Asian countries the investigators visited, it was obvious that Vietnam would welcome a more active role for the United States with ASEAN in particular and Southeast Asia more generally. In contrast to other countries, the U.S. image appeared to be slightly more positive in Vietnam. This may be because U.S.-Vietnam relations have been less affected by the Iraq War than other bilateral relations in the region, particularly those with significant Muslim populations. However, U.S. relations with Vietnam have a more complicated history than other bilateral relations, and their stability cannot be taken for granted.

Beyond energizing U.S.-ASEAN relations, specific recommendations for U.S.-Vietnam relations include:

- *Soften the impact of the economic crisis by emphasizing long-term commitment to U.S.-Vietnam trade and targeting a portion of economic assistance to those Vietnamese most affected by the crisis.* One high-profile item in the economic relationship at present is Vietnam’s May 2008 request to be designated as a beneficiary developing country under the U.S. Generalized System of Preferences (GSP) program. Negotiations on GSP will help maintain momentum in the trade relationship. Continuing the STAR program, which supports the implementation of the U.S.-Vietnam Bilateral Trade Agreement, and other trade programs will also be important at this time. Although there will be stiff competition for foreign assistance funds within the U.S. government for the next several years, Vietnam should be given high priority. Beyond discrete policy initiatives and responses, policymakers should keep in mind that the U.S. image in Vietnam depends on economic relations to a considerable degree.
- *Avoid putting Vietnam in the position of having to “choose” between China and the United States.* By the same token, resist Vietnamese pressure to side with Hanoi against Beijing in disputes over the South China Sea. Instead, reassure Vietnam with stronger triangular cooperation (U.S.-Vietnam-China), particularly on nontraditional security threats such as avian flu.

- *Advance military-to-military relations at an incremental but brisk pace.* With the above caveat relating to Vietnam’s need to balance regional powers, there is nevertheless some room to expand this aspect of relations. In particular, military cooperation should focus on supporting an expanded role for Vietnam in the international community. Training of peacekeeping forces should be a high priority. Greater use of the International Military Education and Training (IMET) program should be considered, as well as more extensive exchanges with such U.S. educational institutions as the National Defense University and the branch war colleges.
- *Expand cooperation on education to the greatest extent possible.* It is difficult to see a downside in this area. Beyond the U.S.-Vietnam Task Force on Education and other programs, both the U.S. government and American nonprofits should consider expanding or establishing programs to provide Vietnamese with graduate-level training. When negotiations on a Peace Corps program for Vietnam are complete, this too can be pressed into service to strengthen educational cooperation. Teachers can be provided at the secondary and higher education levels through the Peace Corps, as well as educational administrators.
- *Maintain attention to human rights but also support indigenous trends toward liberalization in Vietnam.* Low-key support for emerging civil society should be a long-term priority. Included in that might be support for the government to formulate NGO regulations that can encourage and accommodate this new phenomenon. Attempts to pressure Vietnam to liberalize or improve human rights through sanctions should be avoided, as they are likely to reinforce hard-line suspicions that the United States seeks to overthrow the current government. However, U.S. interest in human rights in Vietnam is not likely to diminish in the near term, and Vietnamese policymakers should anticipate continued attention from both Congress and the executive branch. Expansion of the ongoing bilateral human rights dialogue to include a broader range of actors, both official and nongovernmental, might be useful.
- *Encourage dialogue and linkages between the National Assembly of Vietnam and the U.S. Congress.* The National Assembly is becoming increasingly central to policymaking in Vietnam and is emerging as a check on the executive branch. Congress has programs to promote linkages with other democracies but it should consider a formal program with the National Assembly. Exchange programs for legislative staff would also help support the development of the Assembly.
- *Strengthen humanitarian cooperation on war legacy issues; specifically, find a permanent funding mechanism to address the exponential impact of Agent Orange in Vietnam.* Exposure to dioxin differs from other war wounds because it is perpetuated in birth defects. At a time when bilateral relations may be strained by the economic crisis, even a modest increase in funding for war legacy issues can have a positive effect across the relationship. More secure funding for the remediation of dioxin damage might be considered through separate legislation or through a regular request in the administration’s budget request to Congress.

- *Work with Vietnam to strengthen U.S. relations with ASEAN when Hanoi assumes the chair in 2010.* Vietnam will face specific challenges when it takes the chair next year. ASEAN is charged with establishing a human rights body this year, but it will fall on Hanoi to begin its implementation. Moreover, 2010 is the deadline for completion of the first phase of the ASEAN Free Trade Area, which could be more difficult under the current economic crisis. The United States should respect Bangkok's role as the current chair but engage Hanoi in discussion on the 2010 agenda at the same time.

# 8

## CONCLUSION

Consisting of more than 600 million people in 11 countries, with widely divergent political systems, cultures, religions, ethnicities, historical touchstones, and stages of economic development, one must be careful making sweeping generalizations about “Southeast Asia” as a single, unified entity. Likewise, perceptions of U.S. policy toward specific countries in Southeast Asia and the world vary across the region. Nonetheless, several common themes emerged among interlocutors in the six countries examined in this study that deserve summary mention.

First, *nations expressed overall satisfaction with the state of their respective bilateral relationships with the United States*. Contrary to the impression of some in the United States, U.S. relations with Southeast Asian nations on a bilateral basis are generally strong. While popular opinion of the Bush administration, and President Bush himself, was low due to perceptions (particularly during its first term) of an arrogant and unilateral style, aggressive tone, and single-minded focus on terrorism, elite engagement on a bilateral basis was positive and productive in the end. Nations were generally comfortable with the trajectory of bilateral relations at both an operational and political level (with one arguable exception in Thailand), leaving a good legacy on which the Obama administration may build.

Indeed, when asked what they desired from the United States in the future, *the Southeast Asian countries surveyed, far from expressing disgust or dismay over U.S. behavior or influence in the region, almost universally expressed the desire for more U.S. engagement, both in bilateral and regional terms*. In an era when U.S. policies and influence have often been perceived as having created as many complications as solutions for global interests, the nations surveyed in this study are asking openly for deeper and broader U.S. involvement bilaterally and regionally. This is translated into a desire for more U.S. engagement in economic development (foreign direct investment), military cooperation, and overall capacity building. It is also reflected in Southeast Asian nations’ continued, if tacit, desire for the United States to continue to serve as regional security guarantor and to maintain a general balance of power in the region as a potential hedge in the face of a rising China, whereby the United States provides cover for deep economic engagement with China.

Nations expressed four main concerns about U.S. policy. *The first concern had to do with “change,” both in a literal and figurative sense*. The flip side to nations’ general desire for continuity in U.S. bilateral policy and engagement was concern about the intentions of the Obama administration, particularly given its mantra of “change.” What exactly does Obama’s “change” mean in the context of Southeast Asia, they often asked.

Indeed, having emerged over the past generation from a period of tumult involving domestic insurrections and revolutionary ideologies, Southeast Asia today revels in a conservative ethic that values maintenance of the traditional outlines for securing regional peace and stability, underwritten by U.S. military presence, the regional alliance system, and free market economics (particularly including an open U.S. market for its goods). While change is not anathema (see below), regional states seek steady, consultative, and evolutionary change rather than any rapid or fundamental change in the status quo.

And because the region arguably values most those issues related to economics (trade and investment) and security (balance of power), the change about which regional interlocutors expressed the most fear was that a new U.S. Democratic administration might reduce the emphasis on U.S. strategic presence in the region and on free trade, which were viewed as more “Republican” issues, in favor of a primary focus on human rights (values) and protectionism, which were perceived as “Democratic” issues. Indeed, it was clear from interlocutors that any policies that seem to undermine or dilute the impact of the U.S. security presence and contribution to regional economic development will have a strong impact on nations’ perspectives toward the United States.

The region’s second major concern was a perceived lack of U.S. attention to regional multilateralism. *Foremost among the countries’ desired change in U.S. policy was for the United States to engage more actively in regional frameworks, as the region’s fora, anchored in ASEAN, steadily evolve.* The common refrain heard in Southeast Asia was that the United States should sign the ASEAN Treaty of Amity and Cooperation, establish a regular bilateral summit process with ASEAN, and ensure that the U.S. secretary of state attends the ASEAN Regional Forum’s post-ministerial meeting every year. In these ways, regional interlocutors suggested, the United States may show due respect to the sensibilities and vehicles of cooperation favored in the region and make the United States more relevant to regional developments. Similarly, the region was virtually unanimous in expressing desire for the United States to be present to help develop the emerging regional architecture, although the degree to which the United States should be part of that architecture varied somewhat between countries.

Similarly, many interlocutors noted a perception that the United States tended to view or define the region in terms of single issues, such as terrorism or Burma. They noted that this perception created resentment and tended to marginalize the United States as a relevant contributor for solving a full range of regional challenges. They urged Washington to avoid feeding this perception by broadening its engagement, as noted above, and by working more closely in concert with the region whenever possible on issues such as Burma.

*A third concern was the manner with which the United States conducts its foreign policy, which has created a desire for “change” in the way the United States engages.* Interlocutors were virtually unanimous in commenting that U.S. style and tone for much of the past eight years offended regional sensibilities. Although this condition did not constrain the ability and desire of all states

to work with the United States on issues of mutual interest, it did affect popular attitudes, in turn having some constraining effect on national policies in cooperation with the United States.

*The last concern widely conveyed by interlocutors was the need to generate perceptions of a more balanced and less belligerent global U.S. foreign policy, particularly in the Middle East and specifically related to the Israel-Palestine question and the war in Iraq, which was deemed particularly important to reach populations in Indonesia and Malaysia, where these issues got substantial media attention and were highly sensitive. The hope was that President Obama could change the tone, style, and nature of U.S. global policy. Expectations were rather high in this regard, although many were realistic that while changes in tone and style might come quickly, fundamental changes in U.S. foreign policy were unlikely.*

*The Southeast Asian nations surveyed welcomed increased Chinese engagement in economic and diplomatic terms, but remained wary of its implications, particularly in military affairs. If there was a period in which the region succumbed to a Chinese “charm offensive,” that period is clearly over. While nations appreciated the benefits offered by China’s rise, and recognized the essential truth that their geography compels a constructive relationship with China, regional interlocutors were often blunt about the challenges to national interests posed by China, in the South China Sea in particular, but also in the overall regional balance of power given China’s military modernization. They expressed a common suspicion, for instance, that China seeks to avoid dealing with ASEAN as a bloc over issues such as the South China Sea dispute and instead tries to find nations that are weak links to use as levers against the others. At the same time, nations remain relatively shy about expressing their misgivings publicly.*

*Japan’s engagement in the region was universally welcomed, but the consensus was that Tokyo underplays its hand. Indeed, regional interlocutors all seemed to want more from Japan in economic, diplomatic, and even security terms. The legacy of history was not a factor in any country. Regardless, the countries felt Japan was ineffective diplomatically and underutilized its assets, but it could be quite relevant and effective should it decide to engage more actively.*

*Likewise, India’s increasing presence was welcomed by all nations, although its influence was considered nascent. Generally, regional states viewed India as moving too slowly in its engagement and as difficult to deal with due to a problematic governing bureaucracy.*

Ultimately, the attitude of all Southeast Asian nations toward the engagement of major powers in their region conformed to the notion of “the more the better.” What they desired was engagement by all major powers without the domination of a single power—even the United States—and in which a rough balance of power is maintained. Within this, they sought a United States that plays an active and consistently engaged regional role. Indeed, the consensus view was that the United States remained the most trusted off-shore power with the most to offer of what the region is looking for: resources for capacity building, economic development (as a source of investment with a large domestic market), and maintenance of regional stability and security.

## Distinguishing Characteristics

Aside from the many areas of substantive commonality, however, each nation distinguished itself from the others in particular ways.

For instance, *the most difficult conversations occurred in Thailand, reflecting a particularly challenging period in relations.* But while frustration with the United States and the bilateral relationship was high, one should not interpret this as reflecting something fundamental or irreversible about the future of the alliance. First, open complaints from Thais about the United States are in fact common and longstanding, with some U.S. commentators noting that Thailand long ago abandoned the expectation that the United States would be a relevant ally should the country face a security threat. Second, at the operational level of defense and intelligence cooperation, relations remain sound, despite some complaints on the issue of arms sales and the U.S. reaction to the 2006 coup. Finally, the sense of frustration and disappointment in the United States as an ally seemed to reflect an overall desire to improve, not abandon or diminish relations, although it was unclear exactly how far and in what direction Thailand was interested and able to take the alliance given the country's domestic problems.

*The nation where conversations suggested the most promise for immediately enhancing bilateral relations was Indonesia.* A multitude of Indonesian interlocutors, both from within and outside government, affirmed a desire to conclude a “comprehensive partnership” with the United States, not just in name and form but substance. While the exact contours of that partnership were to be worked out, the will to do so sooner rather than later was evident. Of course, even the most ambitious interlocutor noted that several constraints remain on partnership and that patience is required for the relationship to develop.

*The discussions that revealed perhaps the greatest long-term strategic prospects occurred in Vietnam.* Relations between Washington and Hanoi will continue to move deliberately, given recent history and differences in political systems. But it was clear from our study that Vietnam is highly attuned to strategic developments, including the rise of China, and eager to engage the United States increasingly as a player and prospective partner in regional affairs. A generational shift in Vietnam may be required to fully realize the potential of this relationship, but the United States should not wait until then to lay the groundwork for such change.

*The nations where the findings arguably were most surprising were Malaysia and the Philippines.* In Malaysia, we found a nation much more concerned about China's emergence—and the implications for Malaysian interests—than was evident just a few years ago and, as a result, much more eager to develop relations with the United States, in both economic and strategic terms, than expected. In the Philippines, the extent to which the United States was reengaged militarily, and to which the Philippines had evolved in its thinking about U.S. engagement since the late 1990s, was also relatively surprising, although remaining weaknesses in the relationship in the near term were evident and less surprising.

Finally, *the most unsurprising conversations took place in Singapore*, which stuck firm to its talking points expressing concern about U.S. distraction from the region and desire for more robust and consistent U.S. engagement. An interesting twist, however, was the possible readiness of Singapore to work with the United States and others on promoting certain norms and values within the international system, particularly good governance.

## Recommendations

From these findings, we offer several general recommendations for U.S. policy in Southeast Asia:

First, *the United States should seek to reinvigorate its engagement of alliance partners Thailand and the Philippines to test the possibilities of greater strategic convergence and cooperation*. While both Thailand and the Philippines continue to be consumed by their domestic challenges, the United States should reach out to these countries early in the new administration to send a signal of respect and continued seriousness about the importance of these alliances. A strategic dialogue at the assistant secretary or policy planning level would be sufficient to test the possibilities of these partnerships. At the same time, Washington must limit its expectations for rapid progress given the many deep-seated limitations of each country and each relationship.

Singapore poses less of a concern, and the United States should simply continue to work closely in partnership with Singapore.

*At the same time, the United States should take advantage of apparent openings to steadily cultivate broader and deeper relationships with emerging powers Indonesia, Vietnam, and Malaysia*. These nations are openly signaling interest to deepen their bilateral relationship with the United States. Washington should seize this opportunity to test the potential of these partnerships in economic, political, social, and security terms.

It should be noted that interlocutors in both Thailand and Singapore expressed a degree of resentment that Washington often takes their countries for granted in its foreign and security policy. U.S. policymakers thus need to take care as they establish more robust and strategic relations with new partners that they not overlook maintenance of traditional partnerships, in which much energy and many assets have been invested over decades.

*Likewise, even as the United States strengthens its respective bilateral relationships, it should think more creatively about how to link these partnerships with one another toward common ends and goals*. Trilateral, quadrilateral, and other “minilateral” vehicles should be considered in the interest of confidence building, capacity building, and common security. Nations should consider productive ways to incorporate Japan, China, India, Australia, and other substantial powers into this mix as possible and mutually acceptable.

At the same time, however, *the United States should ensure that development of its bilateral (and potential minilateral) relationships complement its commitment to regionalism, particularly ASEAN*. The United States should be perceived as assisting the viability of ASEAN, which itself has the virtue of being in the U.S. interest. This is particularly true now that ASEAN has been

institutionalized and has incorporated human rights as a core value, albeit one whose promotion in the ASEAN context needs to be developed further. Indeed, the United States should make good governance one of the primary goals for its regional outreach to help build capacity and promote regional cooperation.

Likewise, *the United States should make it a priority to show up at the appropriate meetings of regional institutions, at the appropriate level and on a regular basis.* This means the United States should seriously consider establishing a bilateral ASEAN summit process, ensure the secretary of state attends the ASEAN Regional Forum's post-ministerial meeting each year, and accede to the ASEAN Treaty of Amity and Cooperation. The appointment of an ambassador for ASEAN affairs was a valuable signal of U.S. commitment to the organization and should be continued. The United States should also become an integral part of the ongoing dialogue on a regional architecture to deal with both traditional and nontraditional challenges Asia will face in the future.

Furthermore, *the United States should consider new approaches to Burma policy that seek to link Washington's approach with the region's as much as possible.* Secretary Clinton has already announced the Obama administration's intention to review U.S. Burma policy, commenting that both sanctions (the preferred U.S. approach over the past decade) and constructive engagement (the preferred Asian and ASEAN approach) have failed to induce the political and social change in Burma desired by all parties. While one should not expect the United States and ASEAN states to have identical policies, the United States should do more to coordinate its approach with the region's, be more flexible in its political and diplomatic strategy, and induce the region to reciprocate in kind. In the process, Washington would demonstrate respect for regional sensibilities on a highly sensitive issue and make the principles of its Burma policy consistent with its broadly enhanced engagement in the region.

Finally, and above all, in light of the ongoing global economic and financial crisis, *the United States must work closely with leading Southeast Asian nations on economic issues as a core element in promoting the future of U.S. bilateral and regional relations.* It is clear that economic development remains central to Southeast Asian nations' national interests and that their relations with major powers are largely driven by these concerns. Managing economic relations effectively and as a priority matter—including ensuring that markets remain open, that investment continues to flow both ways, and that nations do not retreat into economic nationalism—will be critical for the health of bilateral and regional relationships in this extremely sensitive and precarious economic climate.

The United States in the end finds itself in an excellent and even advantageous position in Southeast Asia. A reservoir of good will toward the United States remains extant in the region. Indeed, when a region desires more U.S. engagement—particularly a region as strategically important to U.S. interests as Southeast Asia—it would be foolhardy to ignore this circumstance or take it for granted. This requires that U.S. elites, although consumed by several other compelling immediate challenges, take another look at the region in order to consider longer-

term strategic benefits. The Obama administration is off to an excellent start in this regard, but persistence and follow-through are required lest expectations raised are later dashed, leaving a trail of disappointment and missed opportunities for the United States in the heart of the Asia-Pacific region—the world’s most dynamic, vital, and strategically important region in the twenty-first century.