Developing an Enduring Strategy for ASEAN

Project Cochairs
William S. Cohen
Maurice R. Greenberg

Project Directors
Ernest Z. Bower
Murray Hiebert

January 2012
About CSIS

At a time of new global opportunities and challenges, the Center for Strategic and International Studies (CSIS) provides strategic insights and bipartisan policy solutions to decisionmakers in government, international institutions, the private sector, and civil society. A bipartisan, nonprofit organization headquartered in Washington, D.C., CSIS conducts research and analysis and develops policy initiatives that look into the future and anticipate change.

Founded by David M. Abshire and Admiral Arleigh Burke at the height of the Cold War, CSIS was dedicated to finding ways for America to sustain its prominence and prosperity as a force for good in the world.

Since 1962, CSIS has grown to become one of the world's preeminent international policy institutions, with more than 220 full-time staff and a large network of affiliated scholars focused on defense and security, regional stability, and transnational challenges ranging from energy and climate to global development and economic integration.

Former U.S. senator Sam Nunn became chairman of the CSIS Board of Trustees in 1999, and John J. Hamre has led CSIS as its president and chief executive officer since 2000.

CSIS does not take specific policy positions; accordingly, all views expressed herein should be understood to be solely those of the author(s).


© 2012 by the Center for Strategic and International Studies. All rights reserved.

ISBN 978-0-89206-698-8
CONTENTS

Acknowledgments iv
U.S.-ASEAN Strategy Commission vii
Preface viii
Executive Summary xi
List of Acronyms xiv

1. Trade and Investment: Getting Back in the Game 1
2. Underwriting Regional Stability: Political and Security Cooperation 12
3. Expanding Linkages: Education and Culture 33

About the Authors 48
Change comes through the vision and action of leaders. This study was inspired by the vision of such individuals in both the United States and the nations of ASEAN who helped create a context in which elevating the U.S.-ASEAN relationship in a dynamic and fast-changing Asia Pacific became a necessary and obvious choice.

Specifically, we would like to recognize U.S. secretary of state Hillary Clinton, former U.S. secretary of defense Robert Gates, Admiral Robert Willard at Pacific Command, and U.S. assistant secretary of state for East Asian and Pacific Affairs Kurt Campbell. These leaders shared a vision and understanding that ASEAN is a key player in the region and that the United States needs to focus on its friends and partners in Asia. Equal appreciation and gratitude go to ASEAN’s ambassadors to the United States. Each provided leadership, creativity, and vision that made it possible for such a study to aspire to be useful and constructive.

Our special appreciation goes to Maurice “Hank” Greenberg and former secretary of defense William Cohen, the cochairmen of the U.S.-ASEAN Strategy Commission. Both men, who led delegations to visit countries in the region in June and July 2011, know the value of enhancing the U.S.-ASEAN relationship and work toward that goal every day.

We would like to thank the other commissioners for their long-term participation in helping to shape U.S.-ASEAN relations in their various roles. Many of them have focused on the relationship for decades, building ties and institutions to help support and broaden the connections. Others built businesses that had enormous impact in terms of employing talented people, putting capital and technology to work, and providing value to communities in the soft-spoken way that has come to characterize American business in Asia. Their work on the commission has been consistent with and built upon their experiences and accumulated efforts. Their thoughtful and generous counsel helped shape and strengthen our work to ensure that this report will provide necessary insight into the region and bring about policy changes.

A full listing of the U.S.-ASEAN Strategy Commission appears on page vii.

From June 22 through June 24, 2011, CSIS hosted a series of working groups in Washington, D.C., to discuss and refine the preliminary interim report of the findings of the commissioners. Nearly 50 experts and policymakers participated in these seminars and provided valuable feedback. Based on the seminars and the trips to region, CSIS prepared this report in preparation for President Obama’s trip to Bali in November 2011 to participate in the East Asia Summit and in his third meeting with ASEAN leaders.

We would like to thank the following individuals who graciously participated in our project through interviews or seminars:
Adina Adler, Shell Oil Company
Craig Allen, U.S. Department of Commerce
Salman Al Farisi, Embassy of the Republic of Indonesia
Jack Andre, Nathan Associates
Jonathan Asherson, Rolls-Royce Singapore Pte Ltd
Gautam Banerjee, PricewaterhouseCoopers
Esther T. Benjamin, U.S. Peace Corps
Manu Bhaskaran, Centennial Asia Advisors, Singapore
The Honorable Nisha Biswal, U.S. Agency for International Development
Joseph Bosco, CSIS
Meredith Broadbent, CSIS
Penny Burtt, McKinsey & Company
Robert Castro, Bob Castro Strategies
Ho Seng Chee, Mapletree Investments Pte Ltd
Simon Cheong, SC Global Developments Ltd
HE Chan Heng Chee, Embassy of the Republic of Singapore
Alex Chua, Embassy of the Republic of Singapore
Cal Cohen, Emergency Committee for American Trade
Raymond B. Corrigan, Raytheon
Shawn A. Covell, Qualcomm
HE José L. Cuisia Jr., Embassy of the Philippines
HE Dato Yusoff Abd. Hamid, Embassy of Brunei Darussalam
HE Heng Hem, Royal Embassy of Cambodia
Ng Yong Hwee, City Gas Pte Limited
Sri Mulyani Indrawati, The World Bank
HE Dato Sri Jamaludin Jarjis, Embassy of Malaysia
Ann Katsiak, Nathan Associates
Sam Kim, Proctor & Gamble
Simon Kim, U.S. Department of Commerce
Larry Lam, Portek International Ltd
Ann Lavin, Google Singapore
Phillip Levy, American Enterprise Institute for Public Research
James Lewis, Export-Import Bank of the United States
Walter Lohman, The Heritage Foundation
James Loi, U.S. Department of State
Teri Lojewski, Nathan Associates
Helen Lowman, U.S. Peace Corps
Keith Luse, U.S. Senate Committee on Foreign Relations
Shigeki Maeda, Japan External Trade Organization
Shana Marchio, Kit Bond Strategies
Marc Mealy, US-ASEAN Business Council
Holly Morrow, Exxon Mobil
HE Nguyen Quoc Cuong, Embassy of the Socialist Republic of Vietnam
Steve Okun, Kohlberg Kravis Roberts LLP
Ong Siew Gay, Embassy of the Republic of Singapore

Michael Green, CSIS
James Gribbon, Lockheed Martin Corporation
HE Dato Yusoff Abd. Hamid, Embassy of Brunei Darussalam
HE Heng Hem, Royal Embassy of Cambodia
Ng Yong Hwee, City Gas Pte Limited
Sri Mulyani Indrawati, The World Bank
HE Dato Sri Jamaludin Jarjis, Embassy of Malaysia
Ann Katsiak, Nathan Associates
Sam Kim, Proctor & Gamble
Simon Kim, U.S. Department of Commerce
Larry Lam, Portek International Ltd
Ann Lavin, Google Singapore
Phillip Levy, American Enterprise Institute for Public Research
James Lewis, Export-Import Bank of the United States
Walter Lohman, The Heritage Foundation
James Loi, U.S. Department of State
Teri Lojewski, Nathan Associates
Helen Lowman, U.S. Peace Corps
Keith Luse, U.S. Senate Committee on Foreign Relations
Shigeki Maeda, Japan External Trade Organization
Shana Marchio, Kit Bond Strategies
Marc Mealy, US-ASEAN Business Council
Holly Morrow, Exxon Mobil
HE Nguyen Quoc Cuong, Embassy of the Socialist Republic of Vietnam
Steve Okun, Kohlberg Kravis Roberts LLP
Ong Siew Gay, Embassy of the Republic of Singapore
Ai Ghee Ong and Gregory Poling of the CSIS Southeast Asia Program provided research and project coordination for the report on a day-to-day basis, and were ably assisted by other researchers of the Southeast Asia Program, including Chayut “Peko” Setoonsarn, Jennifer Chen, Derek Pham, Sokkhoeurn An, Kheng Swe Lim, Lie Nathanael Santoso, Alexander Vagg, and Sakari Deichsel. Special thanks go to Mary Beth Jordan of the CSIS Southeast Asia Program for her key role in organizing commission meetings, seminars, and trips to the region, and for her administrative support throughout the project. We are also grateful to James Dunton, Roberta Fauriol, and the CSIS publications team for this report’s production.

Finally, we would like to thank both Chevron Corporation and the Starr Foundation, whose generous support helped make this project possible.
Cochairs

Maurice R. Greenberg, Chairman, CV Starr and Company
Hon. William S. Cohen, Chairman, The Cohen Group; former U.S. secretary of defense and U.S. senator

Commissioners

Hon. Richard Armitage, President, Armitage International; former deputy secretary of state
Manuel Arroyo, President, ASEAN Business Unit, The Coca-Cola Company
James Blackwell, Executive Vice President, Technology and Services, Chevron
Hon. Christopher S. “Kit” Bond, Chairman, Kit Bond Strategies; former U.S. senator
Hon. Ralph Boyce, President for Southeast Asia, The Boeing Company; former U.S. ambassador to Indonesia and Thailand
George David, Retired Chairman and CEO, United Technologies Corporation
Ralph Gerson, President and CEO, Guardian Industries
Hon. Carla Hills, Chairman and CEO, Hills & Company; former U.S. trade representative
Hon. Roderick Hills, Chairman, Hills Program on Governance, CSIS; former chairman of the Securities and Exchange Commission
Hon. Henrietta Holsman Fore, Chairman and CEO, Holsman International; former administrator of the U.S. Agency for International Development
Timothy Keating, Admiral, U.S. Navy (retired)
Hon. William Reilly, Chairman, Aqua International Partners; former administrator of the Environmental Protection Agency
Timothy Shriver, Chairman, Special Olympics
Edward Tortorici, Executive Director, First Pacific Company Limited
Keith Williams, CEO, Underwriters Laboratories

The Southeast Asia Program of the Center for Strategic and International Studies (CSIS) could hardly have known when it launched its U.S.-ASEAN Strategy Commission in early 2011 that the region was in for some dramatic changes. Southeast Asia and U.S. policy toward this dynamic region underwent a surprising transformation during the months when this study and its recommendations were being prepared for U.S. policymakers in early November.

The goal was to deliver the commission's recommendations to President Barack Obama and his advisers in early November before the president hosted the Asia-Pacific Economic Cooperation forum in Hawaii and traveled to Bali, Indonesia, to participate in his first East Asia Summit and third summit with his ASEAN counterparts. Many of the recommendations suggested by the commissioners, who anchored this study and held numerous discussions with U.S. and ASEAN officials in Washington and the region over the course of 2011, were already in the process of being implemented by early November.

U.S. policy toward Asia has evolved dramatically over the past few years. President Obama underlined the policy direction set out by his secretary of state, Hillary Clinton, and successive secretaries of defense, Robert Gates and Leon Panetta, and declared that the United States would “rebalance” toward Asia. A more careful review of his vision and U.S. policy suggested that the United States was “pivoting” toward Asia. In a series of November 2011 speeches in Hawaii, Australia, and Indonesia, the president make the case that, after a decade of preoccupation with wars in the Middle East, the United States was refocusing on Asia and planned to play an economic, diplomatic, and security leadership role in the region for decades to come.

The work of the CSIS ASEAN commission included providing ideas and input for the authors of the U.S. policy thrust to refocus on Asia generally and on Southeast Asia and ASEAN specifically as a foundation for new regional trade and security architecture.

In Southeast Asia itself, no change was more surprising than the political reforms in Burma/Myanmar by the country’s military leaders. Several hundred political prisoners have been released, the regime has started talks with ethnic minority groups with which it has long fought along the country’s borders, and opposition leader Aung San Suu Kyi was released from house detention and has registered to run in by-elections expected on April 1, 2012. In December, Secretary Clinton became the first U.S. secretary of state to visit the country in five decades and told leaders that continued reform would be met by U.S. steps to normalize diplomatic and economic relations.

In elections around the region, Southeast Asian voters sent strong signals throughout the year that they can no longer be ignored. In Singapore during parliamentary elections in May and presidential elections in July, voters gave the ruling People’s Action Party its narrowest margin of victory since independence in 1965. The results prompted the party to promise reforms that would put it in closer touch with the aspirations of the city-state’s electorate.
In Thailand, voters in July ousted the Democrat Party, widely viewed as the favorite of the military and the business elite in Bangkok, and returned the Puea Thai Party, which is loyal to ousted former prime minister Thaksin Shinawatra, to power in a landslide victory. The Puea Thai win, which followed years of political turmoil, resulted in Thaksin's sister Yingluck Shinawatra becoming the country's first female prime minister. Thaksin's determination to return to Thailand from exile where he is living to avoid corruption charges could result in more political turmoil in the country in the months ahead.

In an effort to stem apparent voter discontent ahead of elections expected around April 2012, Prime Minister Najib Razak of Malaysia took steps in September to abolish the country's draconian internal security laws that date back to British colonial rule. More political discontent and international criticism could erupt around January 9 when a court is expected to rule on sodomy charges against opposition leader Anwar Ibrahim.

In Vietnam, Prime Minister Nguyen Tan Dung faced strong domestic criticism during a Communist Party congress in January 2011 for failing to rein in inflation and prevent abuses by the country's state-owned enterprises. In the Philippines, popular president Benigno Aquino launched a campaign against corruption in late 2011 by detaining and prosecuting his predecessor, Gloria Arroyo, on charges that she manipulated congressional elections in 2007.

Economically, the region was hit by the continuing fiscal turmoil in Europe and anemic economic growth in the United States. The one bright spot was Indonesia, which enhanced its international image by growing more than 6 percent in 2011 thanks in part to its exports of commodities such as coal and palm oil. The country gained its first international credit rating boost since the regional financial crisis in 1997 and got high marks for its leadership role in hosting the East Asia Summit and the ASEAN-U.S. Leaders' Meeting in November.

CSIS's ASEAN commission was gratified that many of its recommendations, grouped into trade and investment, politics and security, and people-to-people buckets, were adopted by the U.S. government even before the commission's final report was released:

- Congress passed the three outstanding free trade agreements with Korea, Columbia, and Panama before the president hosted the APEC summit in Hawaii in November, sending a strong signal that the United States wanted to remain fully engaged on trade and investment globally.
- The United States and its eight partners in the Trans-Pacific Partnership recommitted to completing negotiations on this high-standard trade pact in 2012 and welcomed Japan and other countries to join the talks if they are willing to open all sectors of their economies to foreign trade and investment.
- Officials started talking about a senior cabinet official leading a delegation of American CEOs to several ASEAN countries to explore new business opportunities for U.S. companies.
- President Obama participated in his first East Asia Summit in Bali in November in a “listening mode,” as U.S. friends in the region had hoped, and was one of the last of 18 leaders to speak about U.S. concerns in the region, including support for a peaceful resolution of the dispute in the South China Sea.
- The United States announced its three candidates for an Eminent Persons Group to complement the 10 nominated by ASEAN to advise the United States and the 10-nation grouping on ideas about how to enhance economic, security, and people-to-people ties across the Pacific.
The U.S. candidates are trade lawyer Charlene Barshefsky, former U.S. trade representative; businessman Muhtar Kent, president and CEO of the Coca-Cola Company; and diplomat Stapleton Roy, former U.S. ambassador to Singapore, China, and Indonesia.

- To boost people-to-people ties with Southeast Asia, the United States agreed to build on its pilot project to provide English teachers to the region through the Fulbright English Teaching Assistantship Program. Some of these teachers are expected to go to the poorer countries of the region, including Burma/Myanmar, Cambodia, and Laos. This program will be funded by generous financial support from Brunei and Singapore.

As we look ahead to 2012, the greatest challenge will be for the United States to focus and follow through on President Obama’s commitment to be a Pacific president. Asia’s expectations are now high. Southeast Asia and other U.S. allies and partners in the region rely on American ballast to balance a rising China, which has raised anxieties among its neighbors through its actions in the South China Sea and elsewhere. With political transitions pending in both the United States and China in 2012, the stakes are very high.

Election-year political demands will pull U.S. leaders away from foreign affairs toward issues more likely to support their reelection. The U.S. focus on Asia cannot and should not falter in this climate. Long-term commitment and focus requires continuity and consistency. That is the required investment if the United States seeks returns that will assure future economic growth and peace in the Asia Pacific.

_Ernest Z. Bower and Murray Hiebert_
_Washington, D.C._
_December 28, 2011_
The U.S.-ASEAN Strategy Commission was organized by the Center for Strategic and International Studies (CSIS) to provide useful and practical recommendations to American policymakers with the objective of developing a long-term U.S. strategy to deal with the Association of Southeast Asian Nations (ASEAN) countries and the ASEAN organization.

The commission’s recommendations and findings are based on thorough research, including meetings in the region over the past eight months with high-ranking political and business leaders, and on the extensive experience that commission members have had with the ASEAN countries over many decades.

The commission will deliver its full report in early November. The purpose of this summary is to identify key conclusions and share top-line recommendations with U.S. policymakers. Commission members, in summary, believe that:

ASEAN is vitally important to the United States, but the United States’ current engagement is neither as comprehensive nor as strategic as U.S. interests warrant.

Findings

1. The economic, political, security, and people-to-people ties between the United States and ASEAN are fundamental to U.S. economic growth and security. ASEAN’s numbers are compelling: 10 countries, more than more than 620 million people, and a $1.8 trillion gross domestic product. ASEAN is the United States’ fourth-largest overseas market, and U.S. goods exports conservatively account for 440,000 U.S. jobs. Prospects for continued high economic growth in the next several decades are very strong. The United States is the top foreign investor in ASEAN, with $165 billion invested, a third higher than U.S. investment in China and nearly 10 times higher than in India. ASEAN has historic, cultural, and commercial linkages with the world’s two largest countries, China and India, and sits in the middle of several strategically important sea-lanes, making the region’s security and stability a core U.S. national security interest.

2. In 2004, the United States was ASEAN’s largest trading partner, with exports to ASEAN of $85 billion and imports of $87 billion, for a two-way total of $192 billion. Currently China is ASEAN’s largest trading partner, with a two-way total of $293 billion in 2010. The United States is now ASEAN’s fourth-largest trading partner. The implementation in 2010 of the China-ASEAN free trade agreement (FTA) has contributed to a significant increase in China-ASEAN
trade and in the investments made by ASEAN in China and China in ASEAN. U.S. companies are at a trading disadvantage with many of their competitors in the region, particularly from the six countries that have signed the so-called ASEAN Plus free trade agreements: Australia, China, India, Japan, Korea, and New Zealand.

3. The United States’ loss of market share in ASEAN can be attributed in part to the fact that since the mid-1990s U.S. business has turned its attention to opportunities in China’s newly opening market and in part to China’s vigorous economic engagement with ASEAN.

4. The United States is perceived by ASEAN’s leaders as lacking a proactive trade and investment policy for the region, which is a deficiency that limits U.S. engagement with Southeast Asia and prevents U.S. companies from realizing opportunities in the region and creating more high-paying, export-related jobs in the United States. Although there have been repeated calls for a U.S.-ASEAN FTA over two decades, the United States today has only one free trade agreement with an ASEAN member country, namely Singapore. The president should propose preparations for future negotiations on a U.S.-ASEAN FTA at the upcoming U.S.-ASEAN leaders’ summit in November. By setting this goal, the United States will underline a strategic commitment to promoting its interests in Southeast Asia by engaging in actions that help ASEAN members build capacity to enter the FTA. The effort would also be consistent with and complement U.S. negotiations on the Trans-Pacific Partnership (TPP), which includes eight other countries, including four from ASEAN (Brunei, Malaysia, Singapore, and Vietnam).

5. The United States is highly regarded by ASEAN’s leaders, who recognize that the U.S. security presence has been a critical factor in providing peace and stability in the Asia-Pacific region since the end of World War II. They are, however, concerned about whether the United States will maintain its security and economic interests in the region.

6. The United States has substantially strengthened the its relationship with ASEAN and its members in recent years by signing the ASEAN Treaty of Amity and Cooperation, joining the East Asia Summit (EAS), participating regularly in the ASEAN Regional Forum (ARF) and Post-Ministerial Conference (PMC), appointing an ambassador to ASEAN based in Jakarta, confirming a special envoy for Burma, and holding an annual U.S.-ASEAN leaders’ summit.

7. ASEAN wants the United States to remain actively engaged in the region’s security, but it does not want the United States and China to enter into conflict and confrontation. U.S. interests will be best served by concentrating on playing a proactive and strong role in developing regional security architecture and strengthening economic and trade relationships with U.S. treaty allies and strategic partners.

**Recommendations**

1. The United States should take immediate action to establish its leadership on trade and investment issues in Southeast Asia. ASEAN leaders assess U.S. engagement in Asia by whether the commercial relations at the core of that engagement are strong, balanced, and sustainable. Proactive economic engagement is seen as a fundamental part of a balanced U.S. foreign policy in Southeast Asia. The following steps would send this message effectively:
- The president or vice president should lead a CEO-level business delegation to several ASEAN countries to promote new trade and investment opportunities.

- The United States must restate its commitment to the Trans-Pacific Partnership agreement. Congressional ratification of the free trade agreements with South Korea, Colombia, and Panama on October 12, 2011, should provide new impetus to the TPP negotiators to reach the “broad outlines” of an agreement ahead of the Asia-Pacific Economic Cooperation leaders meeting in Honolulu in mid-November.

- The United States should declare its intention to negotiate a U.S.-ASEAN FTA.

- State governors should invite delegations of senior ASEAN business leaders to visit to explore ways to increase Southeast Asian investment in the United States.

2. In the first year of membership in the EAS, the United States should participate in a “listening mode” and support current efforts by important U.S. partners to ensure Asia-Pacific economic integration is inclusive.

3. The United States should declare its intention to institutionalize its annual participation in the U.S.-ASEAN Leaders Meeting. At the summit in November 2011, the president could suggest an initiative to boost education exchanges between ASEAN and the United States and offer to provide technical assistance to ASEAN members needing capacity-building support to prepare for joining a U.S.-ASEAN free trade agreement as well as to those interested in joining the TPP.

4. The United States should sustain a strong and consistent message pressing for free and open navigation in the disputed South China Sea, while managing relations with China through clear, consistent, and candid exchanges. It should avoid a strident stance that would create anxiety in ASEAN capitals.

5. The United States should announce a program to increase substantially increase the number of ASEAN students who study in the United States and the number of U.S. students who study in ASEAN countries. It should also consider setting a target for educational exchanges covering all of ASEAN.

6. The United States should appoint a U.S.-ASEAN eminent persons group tasked with building support in the political, business, education, and civil society communities for increased ties between the United States and the region.

7. The United States should take immediate and concrete steps to streamline inefficient visa security review programs to make it easier for Southeast Asians to travel to the United States for business, collaborative work, study, and tourism without threatening U.S. security. Visa delays hold back business missions to the United States, undercut new trade and investment, limit the number of tourists who visit, and reduce the numbers of students who come to the United States to study. Larger numbers of business, student, and tourist visitors would boost economic growth and create more jobs.
LIST OF ACRONYMS

ACIA Comprehensive Investment Agreement
ADMM+ ASEAN Defense Ministers’ Meeting Plus
AEC ASEAN Economic Community
ANZUS Australia, New Zealand, United States Security Treaty
APEC Asia-Pacific Economic Cooperation
ARF ASEAN Regional Forum
ASEAN Association of Southeast Asian Nations
ASEAN-EEC ASEAN European Economic Community
CARAT Cooperation Atfloat Readiness and Training
EAS East Asia Summit
ETA Fulbright English Teaching Assistantship
EU European Union
FACTA Fair and Accurate Credit Transactions Act
FDI Foreign Direct Investment
FMS Foreign Military Sales
FTAAP Free Trade Area of the Asia Pacific
FTA free trade agreement
HADR humanitarian assistance and disaster relief
HRC Human Rights Commission
IIE Institute of International Education
IMET International Military Education and Training Program
IMF International Monetary Fund
JADE Junta’s Anti-Democratic Efforts (Burma)
MIT Massachusetts Institute of Technology
NGO nongovernmental organization
PACOM U.S. Pacific Command
SEANWFZ Southeast Asia Nuclear-Weapon-Free Zone
SEATO Southeast Asian Treaty Organization
TIFA Trade and Investment Framework Agreement
TPP Trans-Pacific Partnership
UNCLOS UN Convention on the Law of the Sea
USTR U.S. Trade Representative
WTO World Trade Organization
“An ambitious ASEAN agenda will help [the United States] to promote exports and trade [and] strengthen the global economy.”

— Ambassador Ron Kirk, U.S. Trade Representative, May 3, 2010

“So if you want to be at the table, if you want to enhance this relationship and talk about security and political relations, you must have economic relations and you must take an active trade agenda. And that means promoting free trade. That means pushing for America to be present in the region and your companies and opening American markets and enhancing their relationship.”

— Prime Minister Lee Hsien Loong of Singapore, April 14, 2010

Introduction

Not many parts of the world present U.S. companies with as many opportunities as Southeast Asia. The 10 countries of the Association of Southeast Asian Nations (ASEAN) for the most part have rapidly growing economies, an emerging middle class with which American products are popular, and an educated, hardworking labor force. The region sits astride the sea-lanes that link China, Japan, and Korea to India and the Middle East, as well as atop a raft of natural resources ranging from oil and gas to forests and minerals to fertile farmland.

ASEAN ranked as the United States’ fifth-largest trading partner in 2010 and, despite having less than half of China’s population, the region purchased almost the same volume of U.S. imports. Just the importation of U.S. goods (excluding services) by ASEAN is believed to create nearly 440,000 American jobs. American investors have invested much more in ASEAN than they have in Japan and China and regularly rank as the second- or third-largest investors in the region behind Japan and the European Union.

But U.S. trade and investment could be more robust. The U.S. share of Asia’s foreign trade has dropped by almost 10 percent over the past two decades. Part of that decline is caused by Southeast Asia’s emergence as a major producer of components in the global supply chain that end up in electronics assembly plants in China. This development has been driven in part by the mush-
rooming of roughly 70 preferential trade deals among Asian countries that largely exclude U.S. companies. The United States, meanwhile, has negotiated only two trade agreements with Asian countries: Singapore and Australia.

Southeast Asian leaders in general are pleased with the United States’ level of political and security engagement with the region in recent years. They note that U.S. secretary of state Hillary Clinton visited Indonesia on her first trip overseas after assuming office and that she has spoken out strongly about the need to protect the freedom of navigation in the disputed South China Sea. President Barack Obama has visited the region twice and is going back to Indonesia in November for his first meeting of the East Asia Summit (EAS) and his third summit with ASEAN leaders.

But it is in the area of trade and investment that Southeast Asian officials often find the United States less than fully engaged with their region and ceding too much leadership to China, Japan, Korea, and India, leaving U.S. companies at a disadvantage. ASEAN leaders say it is important for the U.S. Congress to pass the three free trade agreements (FTAs) completed three years ago with Korea, Colombia, and Panama to demonstrate that the United States remains fully engaged on trade and investment globally. If these FTAs continue to languish in a politically fractured Congress, the U.S. commitment to trade will be questioned when President Obama hosts the Asia-Pacific Economic Cooperation (APEC) leaders in Hawaii and participates in his first EAS meeting in Indonesia in November.

The United States has joined the nine-party Trans-Pacific Partnership (TPP) talks, which aim to establish a high-quality agreement on trade liberalization. The negotiations include four ASEAN countries: Brunei, Malaysia, Singapore, and Vietnam. Officials in the region worry that a continued congressional stalemate over trade will make it hard for U.S. negotiators to bring high-level proposals to the table—proposals that will entice the other partners to reach an early agreement that will open markets, create more high-paying jobs, and help convince ASEAN that the United States is competing in the region not only politically and strategically but commercially as well.

**Recommendations**

The following recommendations highlight immediate and long-term actions the U.S. government should undertake to maintain and expand its role as a key player in Southeast Asia:

- Send a CEO-level business delegation led by President Barack Obama or Vice President Joe Biden to several key ASEAN countries to promote new trade and investment opportunities.
- Deliver the broad outlines of a Trans-Pacific Partnership agreement before the APEC summit in November. Engage ASEAN member countries interested in the TPP and encourage them to join the agreement. Congressional ratification of the free trade agreements with South Korea, Colombia, and Panama on October 12, 2011, should provide new impetus to the TPP negotiators to reach agreement.
- Initiate discussions on a U.S.-ASEAN free trade agreement by conducting a study spelling out the legal, political, and economic challenges inhibiting progress toward such an agreement. These challenges may include managing the Burma/Myanmar issue, addressing the differences in economic development between ASEAN countries, and building confidence in countries concerned that their companies will be losers in an FTA with the United States.
- Organize delegations of senior ASEAN business leaders to meet with the governors of key U.S. states to increase Southeast Asian investment in the United States.

**Trade with ASEAN**

The economies of Southeast Asia vary widely, from highly developed Singapore to the middle-income markets of Thailand and Malaysia to rapidly growing Vietnam and less developed countries like Burma/Myanmar and Cambodia. Many of the ASEAN economies have transformed in recent decades from considerable poverty to relative prosperity. ASEAN as a group has the third-largest economy in Asia, after China and Japan. Rich in natural and human resources, ASEAN has experienced GDP growth of almost 170 percent over the past decade (see Figure 1.1). By 2011, ASEAN boasted a collective GDP of about $1.8 trillion and a population of about 620 million people, up from nearly $1.5 trillion and 590 million, respectively, at the end of 2009. ASEAN’s larger economies have a vibrant and growing middle-class of consumers who have demonstrated considerable interest in American products.

**Figure 1.1  ASEAN Economic Indicators, 2003 and 2008**

<table>
<thead>
<tr>
<th>Indicators</th>
<th>Unit</th>
<th>2003</th>
<th>2008</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Land Area</td>
<td>KM squared</td>
<td>4,435,830</td>
<td>4,435,830</td>
</tr>
<tr>
<td>Total Population</td>
<td>million</td>
<td>542.3</td>
<td>583.5</td>
</tr>
<tr>
<td>Gross Domestic Product at Current Prices</td>
<td>$ billion</td>
<td>718.4</td>
<td>1,505.60</td>
</tr>
<tr>
<td>GDP Growth</td>
<td>percent</td>
<td>5.4</td>
<td>4.4</td>
</tr>
<tr>
<td>Gross Domestic Product Per Capita at Current Prices</td>
<td>dollar</td>
<td>1,327</td>
<td>2,580</td>
</tr>
<tr>
<td>International Merchandise Trade</td>
<td>$ billion</td>
<td>824.5</td>
<td>1,710.40</td>
</tr>
<tr>
<td>Exports</td>
<td>$ billion</td>
<td>452.5</td>
<td>879.3</td>
</tr>
<tr>
<td>Imports</td>
<td>$ billion</td>
<td>372</td>
<td>831.1</td>
</tr>
<tr>
<td>Export of Services</td>
<td>$ billion</td>
<td>78.5</td>
<td>181.8</td>
</tr>
<tr>
<td>Foreign Direct Investment Inflow</td>
<td>$ billion</td>
<td>24.2</td>
<td>59.7</td>
</tr>
<tr>
<td>Visitor Arrivals</td>
<td>million</td>
<td>38.4</td>
<td>65.4</td>
</tr>
</tbody>
</table>

Sources: ASEANStats, ASEAN Secretariat, WTO Secretariat, various dates.

ASEAN’s trade with the rest of the world has grown rapidly in the last decade, and the United States in recent years has been ASEAN’s fourth-largest trading partner behind China, the European Union, and Japan. With less than half of China’s population, ASEAN managed to attract U.S. goods exports of $70.4 billion in 2009 (up 31 percent from 2008), almost the same

---

4. “Selected Basic ASEAN Indicators (as of 15 February 2011),” ASEAN Secretariat, http://www.aseansec.org/stat/Table1.pdf.
### Figure 1.2 U.S. Trade with ASEAN, China, Japan, and India, 2010

<table>
<thead>
<tr>
<th></th>
<th>U.S. Exports ($)</th>
<th>U.S. Imports ($)</th>
<th>GDP ($)</th>
<th>Population</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>China</strong></td>
<td>69.6 billion</td>
<td>364.9 billion</td>
<td>9.872 trillion</td>
<td>1.3 billion</td>
</tr>
<tr>
<td><strong>ASEAN</strong></td>
<td>53.8 billion</td>
<td>120.3 billion</td>
<td>4.338 trillion</td>
<td>1.2 billion</td>
</tr>
<tr>
<td><strong>Japan</strong></td>
<td>51.2 billion</td>
<td>107.8 billion</td>
<td>4.046 trillion</td>
<td>591 million</td>
</tr>
<tr>
<td><strong>India</strong></td>
<td>16.5 billion</td>
<td>29.5 billion</td>
<td>1.496 trillion</td>
<td>126 million</td>
</tr>
</tbody>
</table>


### Figure 1.3 U.S. Exports to ASEAN, 2000–2009

volume as China (with more than twice ASEAN’s population) and up from $16.1 billion in 1989.\textsuperscript{6} (See Figures 1.2 and 1.3.) ASEAN’s goods imports alone (not including services) are conservatively estimated to sustain about 440,000 relatively high-paying American jobs.\textsuperscript{7}

However, the U.S. share of ASEAN’s global trade has fallen over the past decade. One reason is that China has become a major import machine, buying Indonesian wood and coal, tin and rubber from Thailand, and IT components from Singapore and Malaysia. As China buys more, the United States’ share has dropped. In addition, many of the electronics products and garments that the United States imported earlier from Singapore and Malaysia, and to a lesser extent from Thailand and the Philippines, are now assembled or produced in China and the final products are exported from there to the United States.

U.S. imports from ASEAN have tripled in the past two decades, rising to $107.8 billion in 2010, up from $36.1 billion in 1992. (See Figure 1.4.) ASEAN’s top three exports are electronic

\begin{itemize}
\item\textsuperscript{6} Office of the U.S. Trade Representative, http://www.ustr.gov/countries-regions/southeast-asia-pacific/association-southeast-asian-nations-asean.
\item\textsuperscript{7} The U.S. Department of Commerce’s National Export Initiative conservatively estimates that every $1 billion of U.S. goods exports creates 6,250 American jobs. Many economists believe this number should be considerably higher.
\end{itemize}
machinery, mineral fuels and oils, and mechanical appliances, and they make up roughly 60 percent of the region’s exports. (See Figure 1.5.)

Foreign trade is the lifeline for many of the nations of Southeast Asia. Singapore has the highest trade to GDP ratio in the world at 407.9 percent.¹⁸ For Malaysia, that figure is 185 percent.¹⁹

Investment in ASEAN

Foreign direct investment (FDI) in ASEAN in 2009 totaled $39.62 billion. The region’s share of global FDI increased from 2.8 percent in 2008 to 3.6 percent in 2009, despite the global economic downturn at the time.¹⁰ Most FDI to ASEAN was concentrated in the services and manufacturing sectors, with services accounting for just over 50 percent in 2008, while the manufacturing share was 29.4 percent.¹¹

Most FDI to ASEAN comes from its major trading partners, the European Union, Japan, the United States, and China.¹² (Figure 1.6.) The EU is ASEAN’s largest investor, investing $7.3 billion (18.4 percent of the total) in 2009, followed by Japan at $5.31 billion (11.2 percent). Excluding intra-ASEAN investment that year, the United States was third with $3.4 billion (8.5 percent of the total).¹³ (See Figure 1.7.)

While U.S. FDI to ASEAN has fluctuated annually over the past decade, by the end of 2008 it had reached a total of $153.3 billion, making ASEAN the largest destination for U.S. FDI in Asia. Total U.S. investment in ASEAN through 2008 was roughly $100 billion more than total U.S.

---

¹² ASEAN has 10 dialogue partners: Australia, Canada, China, EU, India, Japan, New Zealand, ROK, Russia, and the United States.
¹³ “Top Ten Sources of Foreign Direct Investment Inflow to ASEAN (as of 15 August 2011),” ASEAN Secretariat, http://www.aseansec.org/stat/Table27.pdf.
Figure 1.6 FDI Inflow to ASEAN, 2009

Figure 1.7 U.S. FDI to ASEAN, 2000–2009
investment in Japan and China combined (see Figure 1.8). What is not well known is that ASEAN is the fifth-largest destination for U.S. investors. Meanwhile, investment from ASEAN into the United States ranks fourth among Asian sources, totaling $11 billion, up nearly fourfold since 2004.

U.S. investment to ASEAN has dropped in recent years. This was caused in part by the financial crisis and recession beginning in 2008. But even earlier, beginning in the mid-1990s, the opening of China to foreign investment caused the diversion of a significant portion of U.S. investment that earlier may have gone to ASEAN. While direct investment by Japan and the EU into ASEAN has remained relatively high throughout the past decade, U.S. investment in Southeast Asia began to slow (see Figure 1.9).
The United States actively supports ASEAN’s ambitious goal of building an ASEAN Economic Community (AEC), including economic integration and the establishment of a single market, by 2015. The goal of the AEC is to create a free flow of goods, services, investment, capital, and skilled labor in the region, which economists project will result in at least a 5.3 percent increase in welfare in the region. The United States has launched a number of assistance programs to provide capacity building for the ASEAN Secretariat and workshops to identify barriers to integration in ASEAN.

U.S. Opportunities

The United States has a number of vehicles to address some of the commercial challenges facing U.S. companies in Southeast Asia and to bolster its trade and investment relations in the region:

- President Barack Obama or Vice President Joe Biden should lead a CEO-level business delegation to several key ASEAN countries to promote new trade and investment opportunities at the highest level. A high-level trade mission led by the president or vice president would highlight the commercial importance of the region among corporate leaders and convince ASEAN leaders that the U.S. business community has arrived in the region in force.

- The United States must demonstrate its commitment to completing the Trans-Pacific Partnership agreement, a regional Asia-Pacific trade agreement that aims to develop a high-standard, broad-based regional pact. The United States joined negotiations on the TPP in 2010. Besides the United States, the nine nations currently negotiating include four ASEAN countries, Brunei, Malaysia, Singapore, and Vietnam, as well as Australia, Chile, New Zealand, and Peru. The participants hope the agreement will create a platform for economic integration across the Asia-Pacific region and lead to a Free Trade Area of the Asia Pacific (FTAAP) including all 21 member countries of APEC, 7 of which belong to ASEAN. The U.S. administration sees the agreement as a mechanism to expand U.S. exports, which are critical to the creation and retention of high-paying, high-quality jobs in the United States.

- The United States should declare its intention to negotiate a U.S.-ASEAN free trade agreement. Negotiations on an FTA would begin to address some of the challenges U.S. companies face and open new markets for U.S. exports in the region. ASEAN already has FTAs of varying standards with Australia, China, India, New Zealand, and South Korea, which give companies from those countries an edge over their American competitors.

To be sure, the U.S. government would face several hurdles in launching FTA talks with ASEAN. One problem is the diverse levels of economic development among the 10 members, some of which like Laos and Burma/Myanmar are still ranked among the world’s least-developed countries. A second is the radically different levels of openness to foreign trade and investment within the ASEAN community. A third problem is Burma/Myanmar and the extensive trade restrictions the U.S. government has imposed against it in an effort to press the country’s authoritarian leaders to move toward political reform.

Because of these problems, some in the U.S. business community would urge the U.S. government to initiate discussions on a possible FTA by conducting a study outlining the legal, political, and economic challenges that would make launching trade talks with the grouping difficult. Launching preliminary discussions on a future FTA would give time for negotiators to address
the differences in economic development among ASEAN countries and begin building confidence in countries concerned that their companies would be losers in an FTA with the United States.

- Delegations of senior ASEAN business leaders should be organized to meet with the governors of key U.S. states to boost ASEAN investment in the United States.

**Conclusion**

The economies of ASEAN offer U.S. companies many opportunities, and most regional leaders would like to see the United States more actively engaged on trade and investment. While economic ties with Singapore are strong and are growing rapidly with Vietnam, commercial links with Malaysia and Thailand need a new burst of energy, and those with Indonesia and the Philippines have a long way to go to reach their full potential.

By pressing ahead to complete the TPP negotiations and by exploring the possibility of negotiating a U.S.-ASEAN FTA down the road, the United States could begin to tackle many of the barriers that currently limit U.S. commercial involvement in the region. An American CEO delegation to Southeast Asia headed by the U.S. president or vice president could help focus the spotlight on the opportunities of the region. Implementing the recommendations proposed in this section would go a long way toward boosting U.S. exports to ASEAN and bolstering U.S. economic and strategic ties across Southeast Asia.

**Other Recommendations to Consider**

- Launch a regular business-to-business dialogue between U.S. and ASEAN CEOs (similar to the ones organized between Chinese and U.S. CEOs) to address the barriers to trade and investment faced by both sides (see Appendix, page 11) and promote investment in one another’s countries.

- Develop a U.S.-ASEAN Infrastructure Task Force to identify Southeast Asia’s primary infrastructure needs for the next 20 years and match them with U.S. public and private capital, technology, equipment, and talent. The task force should focus on major ASEAN connectivity projects and help ASEAN develop its infrastructure, attain its economic integration goals, and boost economic development in less-developed member nations.

- Encourage the establishment of an ASEAN customs union. The ASEAN Single Window can be seen as the first step toward achieving this goal.

- Explore the establishment of a U.S. Innovation Center in Jakarta to be located near or at the ASEAN Secretariat. The center would be a public–private partnership that could promote U.S. technologies, educational opportunities, and innovation. Companies, U.S. states, universities, and research institutions could rent space and organize regular programs.
Appendix: 
Challenges to U.S. Trade and Investment

Despite the strong commercial ties between ASEAN and the United States, U.S. companies face a number of challenges when seeking to trade with and invest in Southeast Asia. Although trade barriers vary from country to country, problems that recur in many of the countries include an uncertain rule of law, a lack of transparency, violations of intellectual property, and fairly widespread corruption.

Foreign companies confront numerous and often-overlapping import license requirements in Indonesia, Thailand, and Vietnam that serve effectively as non-tariff barriers. Malaysia reserves much of government procurement for its Malay majority, while Vietnam seeks to protect large, but often-inefficient, state-owned enterprises. Particularly in Indonesia and the Philippines, foreign companies face considerable economic nationalism and the influence of large domestic businesses and oligarchies seeking to maintain control of existing enterprises and new market opportunities.

American companies have also been disadvantaged by the raft of preferential trade agreements ASEAN has signed with other countries, mainly in Asia, while the U.S. trade negotiators have stayed on the sidelines. Asian countries have negotiated some 70 FTAs among themselves, up from only 6 such agreements 15 years ago, that have sharply reduced tariffs in the region. Eighteen more have been completed but not implemented, and roughly 80 others are being negotiated.14

ASEAN has an FTA among its 10 members as well as with Australia, China, Japan, and Korea. Many other FTAs are in the process of being negotiated. The United States, meanwhile, has only two FTAs in Asia, with Singapore in ASEAN and with Australia.

---
“We need partnerships with Asian nations to meet the challenges of our growing economy, preventing proliferation and addressing climate change. . . . (T)he U.S. intends to play a leadership role in Asia. So we have strengthened old alliances, we have deepened new partnerships, as we are doing with China, and we have reengaged with regional organizations, including ASEAN.”

— President Barack Obama, September 24, 2010¹

“All 10 [ASEAN member states] welcomed . . . America’s engagement in the region. . . . All the countries in the region know that America plays an indispensable role, and we would like America to continue to do that.”

— Prime Minister Lee Hsien Loong of Singapore, April 14, 2010²

Introduction

Since the end of the United States-Vietnam war, the United States has often been accused, rightly or wrongly, of neglecting its relations with Southeast Asia in favor of other regions, particularly the Middle East and Northeast Asia. In the political and security realm, this loss of focus has been blamed on the end of the Soviet threat and the warming of U.S.-China relations, which some argued reduced the salience of Southeast Asia in the U.S. strategic calculus. The Obama administration, however, has made it clear that the United States sees the Association of Southeast Asian Nations as the foundation of a newly developing economic and security architecture that will shape the Asia-Pacific region for the twenty-first century. The United States says it values its engagement in the region and seeks to bolster its long-standing political and security ties in Southeast Asia while carefully developing and nurturing new partnerships.

For the half-century following World War II, Southeast Asia was effectively integrated into the U.S. “hub-and-spokes” alliance system that protected U.S. interests and helped underwrite security in the Asia Pacific. Along with its agreements with Australia, Japan, and South Korea, the United States’ agreements with the Philippines and Thailand constitute the long-standing treaty alliances undergirding this system. Starting in the 1990s, the United States began to expand its bilateral political and security relationships in Southeast Asia through increased assistance and military-to-military exchanges with Singapore, Indonesia, Malaysia, and Vietnam. That effort continues to deepen and expand.

². Lee Hsien Loong, interview with Charlie Rose.
While alliances and bilateral ties are foundational to U.S. interests in the Asia Pacific, the United States must also pursue its strategic objectives through deepening its involvement in regional institutions. In general, regional institutions and architecture are necessary to help develop alignment on security and political issues in addition to economic integration. Regionalism helps the community of smaller nations align with larger countries to encourage behavior that promotes mutual economic growth without impinging on sovereignty.

Unlike in Northeast Asia, where regional architecture has been haphazard and impermanent, regional security and various political architectures have steadily developed in Southeast Asia under the auspices of ASEAN. Today, Southeast Asia boasts the largest multilateral security forum in the world in the ASEAN Regional Forum (ARF), which was founded in 1994 and includes 27 countries that meet annually to promote dialogue, confidence building, and preventative diplomacy in the region. In addition, defense ministers from the ASEAN countries and their dialogue partners now discuss defense and security issues in the ASEAN Defense Ministers’ Meeting Plus (ADMM+). The first meeting of the ADMM+ was held October 2010 and included participants from 18 countries.

ASEAN itself has its secretariat in Jakarta. Its leaders meet annually (or more often) in the ASEAN Summit and hold bilateral summits with several other countries including China, Japan, Korea, and the United States. ASEAN ministers meet at nearly every level—foreign ministers, economic ministers, education ministers, energy ministers, and so on. ASEAN has been described by U.S. secretary of state Hillary Clinton as the “fulcrum” of the developing regional architecture. ASEAN members form the core of the East Asia Summit (EAS), which will boast 18 members when it meets in November 2011, and 7 of the 10 ASEAN countries are members of the Asia-Pacific Economic Cooperation forum.

The United States has begun to view ASEAN strategically as a key foundation for sustained engagement designed to promote American interests in the Asia-Pacific region. To date, this focus on Southeast Asia and its fundamental role as the meeting point for the key Asia Pacific powers, including China and India, has been dominated and led by the U.S. Departments of State and Defense.

If Asia Pacific countries perceive any gap in U.S. security and political engagement and commitment to their region, it is at the political level. Partners and competitors alike try to make assessments of U.S. power and its sustainability in Asia. Questions arise about the ability of the United States to institutionalize its engagement in the region because there is a perception, well supported by facts, that the United States has not built strong political support for American strategy in the Asia Pacific.

Unlike her predecessors, Secretary of State Clinton has attended every ARF meeting. Her first overseas trip as secretary of state included a visit to Southeast Asia and its biggest country, Indonesia. She also visited the ASEAN secretariat in Jakarta. These are important symbols that are carefully tracked and digested by leaders in Asia.

Additionally, former secretary of defense Robert Gates attended the inaugural ADMM+, ushered in a new era of defense cooperation with new ASEAN partners Indonesia and Vietnam, and consistently traveled to the region. The U.S. Pacific Command (PACOM) has been a constant forward-deployed security and diplomatic presence in Southeast Asia over the last 50 years.
In an important sense, U.S. security engagement, along with trade and investment by U.S. business, has remained a strong pillar in Southeast Asia. Political emphasis on the region has been less steady and focused, and this is the area about which Asian partners harbor anxiety and questions about sustained high-level focus.

President Obama has given the region reason for hope, but also doubt. His election gave many people in Southeast Asia hope that an American leader who was born in the middle of the Pacific, in Hawaii, and spent formative childhood years in Jakarta might have a genuine and personal interest in extending and institutionalizing U.S. engagement in Southeast Asia.

The president's comments and rhetoric when he is focused on Southeast Asia and Asia generally indicate these hopes are well founded. However, postponed or canceled trips and failure, to date, to sustain a discussion about Asia’s importance to Americans, manifested most notably in the lack of a proactive trade policy, have caused concern and doubt among Southeast Asian leaders. They seek signals of enduring strategic focus and will only be convinced by institution building and following through on commitments, not by words or even once-yearly trips.

The Obama administration has taken institutionalizing the focus on Southeast Asia to a new level. In 2009 President Obama approved the signing of the ASEAN Treaty of Amity and Cooperation, first signed in 1976 to promote peace and cooperation in Southeast Asia, and instituted the U.S.-ASEAN Leaders Meeting with all 10 of his counterparts. He will be the first U.S. president to attend the EAS in November 2011. This leader-level engagement in the region's evolving political and security architecture will serve long-term U.S. interests.

Southeast Asia is an important foundation for current and future U.S. security and political priorities in Asia and globally. The region is undergoing a relatively peaceful transformation from Cold War autocratic polities to nascent democracies with fragile institutions. The interests of ASEAN member countries are in many cases aligned with U.S. interests in such areas as combating terrorism, piracy, nonproliferation, climate change, and nontraditional security threats including human trafficking and drug smuggling. In addition, Southeast Asia is one of the world's regions most susceptible to natural disasters. Joint humanitarian assistance and disaster relief (HADR) efforts are fundamental to the region's peace and security.

Southeast Asia is also faced with the challenge of encouraging China to continue its peaceful rise, bringing enormous economic benefits to the region and the world, while convincing China not to encroach on the sovereignty or established rights of its neighbors or to disrupt or limit access to the vital sea-lanes of navigation in the South China Sea. To accomplish this goal, the region is convinced it needs strong and sustained engagement with the United States, India, and other partners such as Australia, Japan, New Zealand, and South Korea.

A key part of a sustained relationship with ASEAN includes convincing members that a good partnership requires both sides to give and stretch to add real substance and value to the relationship. This means that ASEAN and its members should consider ensuring that their institutions take up the priority issues of the day and seek to address them, even if they are deemed sensitive and politically challenging. For instance, Indonesia has been tested in its role as the chair of ASEAN in 2011 in addressing issues such as disputes in the South China Sea, governance issues in Burma/Myanmar, and conflict on the Thailand-Cambodia border.

Southeast Asia and other Asian countries will be more and more important to the United States as the twenty-first century advances. The center of gravity for American security and eco-
onomic concerns has shifted from Europe through the Middle East to Asia. This change has happened rapidly in relative historic terms. Policymakers should anticipate continued momentum in this direction over the next several decades.

Asian countries are going to play a bigger and more substantial role in key international institutions such as the United Nations, the World Bank, the International Monetary Fund, the Intergovernmental Panel on Climate Change, and others. Asian regional institutions such as the EAS will quickly become more vital than European-based institutions such as NATO. Indeed, the economic scales have already turned toward Asia. The political and security balance will follow, and the United States has a direct and urgent interest in helping to shape these new Asia-Pacific structures for the twenty-first century and beyond.

**Recommendations**

The United States should:

- Participate in its first year of membership in the EAS in a “listening mode” and support current efforts by important U.S. partners to ensure Asia Pacific economic integration is inclusive.

- Declare its intention to institutionalize its annual participation in a summit with ASEAN leaders. At the summit in November 2011, the president could suggest an initiative to boost education exchanges between ASEAN and the United States and offer to provide technical support to countries interested in joining the Trans-Pacific Partnership (TPP).

- Sustain a strong and consistent message pressing for free and open navigation in the disputed South China Sea, while managing relations with China through clear, consistent, and candid exchange. It should avoid a strident stance, which would create anxiety in ASEAN capitals.

**U.S. Security Ties with ASEAN in the Post–Cold War Era**

In the post–Cold War period, the United States is seen by many as the guarantor of security in the Asia Pacific. Asia has benefited and prospered for decades under a guarantee of security provided by the United States and its alliances. The region needs the United States to remain engaged to provide continued balance and stability in order to promote peaceful development and economic growth.

The United States’ “hub and spokes” model with its treaty allies—Australia, Japan, the Philippines, South Korea, and Thailand—complemented this force posture. America’s regional treaties include the Treaty of Peace with Japan (1951); the Australia, New Zealand, United States Security Treaty (ANZUS, 1951); the Mutual Defense Treaty between the United States and the Republic of the Philippines (1951); the Mutual Defense Treaty between the United States and the Republic of Korea (1953); and the Southeast Asia Collective Defense Treaty (1954). This last treaty also established the Southeast Asian Treaty Organization (SEATO), based in Bangkok.

Of all these treaties, the U.S.-Japan alliance is the linchpin of the U.S. security presence in the Asia Pacific and underwrites peace and prosperity in the region. The alliance is indisputably a public good. However, this fact is not explicitly recognized by most governments in Southeast
Asia, nor is it well understood among younger generations who grew up after the regional conflicts. The ability of the United States to sustain its role in providing a guarantee of security in Asia is contingent, in particular, on the strength of the U.S.-Japan alliance as well as its other alliances with Korea, Australia, the Philippines, and Thailand.

The United States is keen on cultivating and strengthening relationships with key bilateral partners in the region, including its existing treaty allies Thailand and the Philippines, strong partners like Singapore, and emerging partners such as Vietnam and Indonesia. As in other forms of engagement in Southeast Asia, the United States will have to be present and active for these relationships to be successful.

In this region, there is a complex patchwork of issues including counterterrorism, counterinsurgency, antipiracy, maritime and territorial disputes, economic access concerns, and counterproliferation. The United States has been the primary provider of public goods in Asia, particularly in security-related areas such as humanitarian assistance and disaster relief, nuclear nonproliferation, law enforcement and rule of law, and, to a lesser extent, mitigating the impact of climate change. Long-term effective U.S. leadership in Asia is contingent on the continuation of this role leveraged by support—from political to experiential to the provision of resources—from nations with shared interests.

U.S. assistance in these areas has come in multiple forms. Over the years, the United States has provided access to new equipment, shared intelligence, and sent military personnel to the region to train existing forces. The United States has worked with the armed forces of each country to improve professional training standards as well as respect for human rights. Developing the capacities of local partner militaries is fundamental to the current U.S. approach toward ASEAN. Former Secretary of Defense Gates said, “The effectiveness and credibility of the United States will only be as good as the effectiveness, credibility, and sustainability of its local partners.”

Regional Political and Security Architectures

Just as in the economic sphere, ASEAN and its constituent initiatives form the fulcrum of regionalism in the Asia Pacific. Despite sporadic attempts at institution building in Northeast Asia, such as the China-dominated Shanghai Cooperative Organization and the stalled Six-Party Talks on North Korea’s nuclear weapons program, historical animosities and continued distrust have prevented the consolidation of regional initiatives there. Increasingly, over the last two decades, this

has left ASEAN as the dominant force in regional institution building for the Asia Pacific. With the Obama administration’s continued preference for multilateral action in the global arena, it is imperative that the United States engages deeply with ASEAN-led institutions.

Importantly, among all of ASEAN’s institutions, other regional powers have consistently beaten the United States to the punch in taking advantage of opportunities for engagement. China, Japan, and South Korea form the ASEAN Plus Three grouping that consults yearly on political, security, and economic issues. Those three nations as well as Australia, India, and New Zealand have been members of the EAS, while the United States attended its first summit in 2010, represented by Secretary of State Clinton.

As for the EU, it has maintained much the same status as the United States in ASEAN organizations. However, it also instituted the ASEAN-EEC Ministerial Meeting in 1978 and now holds the summit annually as the ASEAN-EU Ministerial Meeting. By comparison, a similar institution in the form of the U.S.-ASEAN Leaders Meeting was held for the first time in 2009. It is in U.S. interests to engage as proactively as possible with the current ASEAN-driven regional architecture to ensure that the United States’ relative influence in the region does not shrink to the benefit of others.

Oldest and most prominent among the ASEAN political and security forums is the ASEAN Regional Forum. Initiated in 1994, the ARF now includes 27 members from the region and is the largest forum of its type in the world. ASEAN member states have been particularly pleased that Secretary of State Clinton has attended all three ARF summits under her tenure, unlike her predecessor Condoleezza Rice, who offended ASEAN leaders by frequently skipping the forum.

While the ARF was integral in promoting ASEAN centrality in regional institution building and still carries great weight and sometimes achieves results among participants, the ARF’s size combined with ASEAN’s preference for consensus decisionmaking has meant that the ARF has failed as often as not to tackle critical issues like territorial disputes or aggressive behavior by individual members. Nevertheless, the ARF has seen success in fostering regional cooperation in areas such as counterterrorism and maritime security. It has also provided a venue for some discussion of sensitive issues, such as when Secretary Clinton asserted at the 2010 ARF that the United States has a vital interest in the South China Sea disputes.

More narrowly focused and sparsely populated than the ARF is the ASEAN Defense Ministers’ Meeting Plus, which was inaugurated in 2010. The aim of the ADMM+ is to bring together top-ranking defense officials from the ASEAN countries and their partners to equal the level of the older ASEAN Economic Ministers’ and Foreign Ministers’ meetings. The largest problem with the ADMM+ thus far has been that it is focused more on superficial confidence building than on tackling more substantial issues. Nevertheless, if further institutionalized, such a forum will be crucial to furthering the U.S. goals of more transparent and stable military cooperation in the region. To this end, it may prove to be in U.S. interests to engage with China on sensitive issues at the ADMM+, even though China remains far more willing to discuss military and security issues bilaterally.

Perhaps most important among the ASEAN-led institutions is the East Asia Summit, which President Obama will attend for the first time in November 2011. Bringing together the heads of

state of ASEAN countries and their most important dialogue partners, the EAS has the potential to become the premier regional forum for everything from security to economic matters. Because it brings together heads of state rather than only cabinet ministers, the EAS has the potential to push forward substantial initiatives and greater cooperation than the other forums, although it currently suffers from an ambiguous agenda that will need to be consolidated.

During the EAS in 2010, the agenda ranged from financial cooperation to education exchanges and combating climate change. On the sidelines of that summit, Secretary Clinton said that, “Given its membership and its growing stature, we believe that the EAS should pursue an active agenda that involves the most consequential issues of our time.” It clearly is in the U.S. interest to ensure that the EAS succeeds, because it represents a critical milestone in the development of a more consolidated regional architecture in Asia.

In addition to these wide-ranging political and security architectures, ASEAN took an important step in combating nontraditional security threats with the creation in 2008 of the ASEAN Human Rights Commission (HRC). The HRC has its critics, and rightfully so. After a difficult fight to establish the commission, the more progressive members of the association were forced to accept an HRC with more bark than bite. While it can make recommendations and criticize human rights violators, the commission has no power to enforce compliance with its guidelines.

That said, the import of the commission should not be dismissed. It is the first of its kind in Asia and represents the influence in particular of the democratically elected governments in Indonesia and Thailand on expanding ASEAN’s agenda and challenging its sacrosanct commitment to sovereignty and noninterference. Support for human rights is in the interests of the United States, and the region’s previously lackluster record has been a stumbling block to greater cooperation with ASEAN in the past. The United States would be well served to help build the capacity of the HRC.

U.S. Military Influence in Southeast Asia:
An Institutionalized Relationship

The U.S. military presence in maritime Southeast Asia is highly institutionalized. Military exercises are held regularly, and the United States has long-standing legal agreements with certain ASEAN countries to provide support for U.S. troops. But with the exception of Thailand, the United States does not have deep military ties with mainland Southeast Asia, particularly Burma/Myanmar, Cambodia, and Laos.

U.S. military relations with Vietnam, however, are improving, with two U.S. Navy ships visiting Vietnam in 2006 for the first time since the end of the Vietnam War. Since then, numerous

---

5. The EAS includes the 10 members of ASEAN, plus China, Japan, South Korea, India, Australia, New Zealand, Russia, and the United States.
U.S. ships, including aircraft carriers and the 7th Fleet’s flagship USS Blue Ridge, have made calls and received repairs in Vietnamese ports. In August 2011, the United States suggested basing the Naval Medical Research Unit Number 2 (NAMRU-2), which maintains satellite operations in Cambodia, Singapore, Thailand, Laos, and Malaysia, in Vietnam. This move would be groundbreaking in allowing U.S. military personnel to be based in Vietnam for the first time in more than 30 years.9

Although the United States has had no permanent bases in Southeast Asia since the closures of the Clark and Subic Bay bases in the Philippines in 1991–1992, it does maintain a series of agreements with several countries in the region to carry out logistical support, maintenance and repairs, and joint military exercises. For example, the Visiting Forces Agreement between the United States and the Philippines, which went into effect on May 27, 1999, allows U.S. troops and vessels unrestricted access to and movement within the Philippines.10

The United States has similar agreements with Singapore. U.S. naval vessels have docked in Singapore since the 1960s, and in 1990 the two nations signed a Memorandum of Understanding giving the U.S. 7th Fleet greater access to Singaporean facilities. Additionally, Singapore hosts the 7th Fleet Logistics Force commander and his staff, which, while not a particularly large force presence, does provide invaluable support to the Pacific Fleet. In March 2001, Singapore completed construction of a new pier at Changi Naval Base to accommodate maintenance and repairs on U.S. aircraft carriers.11

Thailand has been a steadfast ally since the Cold War and in 2003 was dubbed a “major non-NATO ally” by President George W. Bush. While it does not house a permanent U.S. military presence, Thailand has allowed its bases to be used for support roles in the wars in Iraq and Afghanistan, and has gone so far as to reopen the Vietnam-era airbase in Utapao and naval base in Sattahip for logistical support for U.S. forces in Afghanistan.12

The United States operates several military exercises in Southeast Asia that involve countries from inside and outside the region. COBRA Gold is an annual joint exercise that features the armies of the United States, Thailand, and more than 20 other nations including Singapore, Japan, and South Korea.13 The 2010 operation involved 6,000 U.S. personnel and more than 11,500 personnel in total, making it the largest operation of its kind in the world. The fact that the exercise takes place in Thailand is an important indicator of the strong military ties between that country and the United States.

CARAT is a series of bilateral exercises that aims to increase U.S. soldiers’ exposure to Southeast Asian cultures in case the navies are called on to work together.14 The United States

---

currently holds CARAT exercises with the navies of seven Southeast Asian countries, namely Brunei, Cambodia, Indonesia, Malaysia, the Philippines, Singapore, and Thailand, as well as Bangladesh. The United States has also begun joint training with Vietnam. On July 15, 2011, the two nations’ navies held joint training exercises in noncombat capabilities, including navigation and search and rescue.

Despite this history of engagement, Southeast Asians are not convinced that the U.S. commitment to the region will be sustained. While there is appreciation of policy continuity between successive U.S. administrations, the level of American political focus on the region is perceived to be relatively inconsistent. Such characterizations are unfair from the perspective of many U.S. policymakers, who believe the United States has remained a constant ally to the region. To those officials, it may seem that the United States has been too generous with assistance and has not required Southeast Asian militaries, as they grow and modernize, to take on sufficient responsibility for regional security. Regardless, such criticisms from both sides have not noticeably dampened the depth or breadth of the U.S. security relationship with its Southeast Asian partners.

**U.S. Military Aid/Financing in Southeast Asia**

In addition to its treaty alliances and military-to-military relationships in the region, the United States also sells weapons and gives military aid to the countries of Southeast Asia. Sales through the U.S. Foreign Military Sales (FMS) program are an important indicator of U.S. military engagement with the region. To illustrate, in the period from 2001 through 2009, Taiwan received $5.3 billion in FMS agreements and Japan $6.7 billion. During the same period, Singapore, a small city-state with barely one-fifth the population of Taiwan, received $2.4 billion, nearly half what Taiwan did. (See Figure 2.1.) This indicates the strategic importance of Singapore in the region.

The United States also maintains substantial FMS agreements with Thailand, the Philippines, and Malaysia. After the United States restored military ties with Indonesia in 2005, the Bush administration reinstated nonlethal FMS in 2006. Many facets of the U.S. security relationship with Thailand have been complicated in recent years by a provision of the Foreign Assistance Act requiring sanctions against any nation in which a democratically elected government is overthrown. Due to this provision, the United States suspended $24 million in military aid to Thailand in the wake of the 2006 military coup that overthrew Prime Minister Thaksin Shinawatra. FMS sales to the country were not included in this suspension.

The United States also runs the International Military Education and Training Program (IMET), through which it provides funds for soldiers from foreign countries to study in the United States, exposing them to the American way of life and to the U.S. professional military establishment. The program builds ties between the militaries of the United States and the countries of Southeast Asia. In ASEAN, the largest recipients of IMET funds have been the United States’ two treaty allies, Thailand and the Philippines. During 2000–2009, the Philippines received between

---

16. Ibid., 8.
$1.415 million and $2.869 million annually, while Thailand received between $1.218 million and $2.567 million annually. IMET funds to Thailand were temporarily suspended in 2007 as a result of the coup the previous year. The United States also provided nearly $1 million a year during 2000–2004 to Malaysia, and in 2002 began providing funds to Indonesia, which climbed to $1.546 million in 2009. (See Figure 2.2.)
Security assistance to ASEAN from the U.S. Department of Defense from 2002 through 2008 was dominated by the United States’ two treaty allies in the region, Thailand and the Philippines. Substantial funds were also sent to Indonesia and Malaysia, with which the United States has cultivated increasingly cooperative security linkages to deal with issues such as counterterrorism, piracy, and nontraditional security. There was also a noticeable aberration of nearly $13 million to Burma/Myanmar in 2008, which seemed to reflect the diversion of funds and personnel from the annual U.S.-Thailand Cobra Gold exercises to the relief mission following Cyclone Nargis. (See Figure 2.3.)

The Problem of Burma/Myanmar

While the United States has succeeded in recent years in strengthening political and security ties with most of ASEAN, the military regime in Burma/Myanmar remains an obstinate exception. In the last two decades, the United States, the EU, and others have steadily imposed sanctions on Burma/Myanmar in the hope that economic and political isolation would convince the ruling generals to make peace with the country’s ethnic minorities and democratic opposition, open the tightly controlled economic system, and accept the results of the 1990 general elections won by Aung San Suu Kyi’s National League for Democracy.

U.S. sanctions became especially harsh with the passage of the Tom Lantos Block Burmese JADE Act of 2008. The namesake clause of the act bans the import of Burmese gems and rare minerals to the United States, but it also strengthens preexisting financial sanctions on Burma/Myan-

<table>
<thead>
<tr>
<th>Year</th>
<th>Brunei</th>
<th>Malaysia</th>
<th>Indonesia</th>
<th>Philippines</th>
<th>Laos</th>
<th>Burma (Myanmar)</th>
<th>Thailand</th>
<th>Cambodia</th>
<th>Vietnam</th>
</tr>
</thead>
<tbody>
<tr>
<td>2008</td>
<td>25,000</td>
<td>778,000</td>
<td>1,639,000</td>
<td>3,029,000</td>
<td>12,848,000</td>
<td>2,998,000</td>
<td>748,000</td>
<td>297,000</td>
<td></td>
</tr>
<tr>
<td>2007</td>
<td>665,000</td>
<td>369,000</td>
<td>1,013,000</td>
<td>2,696,000</td>
<td>301,696</td>
<td>2,696,000</td>
<td>301,696</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2006</td>
<td>2,007,000</td>
<td>6,578,000</td>
<td>4,771,000</td>
<td>180,000</td>
<td>5,196,000</td>
<td>726,000</td>
<td>354,462</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2005</td>
<td>248,000</td>
<td>1,097,000</td>
<td>1,261,000</td>
<td>3,401,000</td>
<td>334,000</td>
<td>70,000</td>
<td>70,000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2004</td>
<td>597,000</td>
<td>503,000</td>
<td>7,000</td>
<td>3,205,000</td>
<td>28,000</td>
<td>28,000</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2003</td>
<td>340,000</td>
<td>58,000</td>
<td>10,902,000</td>
<td>340,000</td>
<td>10,902,000</td>
<td>10,902,000</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2002</td>
<td>330,000</td>
<td>21,000</td>
<td>52,000</td>
<td>10,767,000</td>
<td>10,767,000</td>
<td>10,767,000</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

mar and blocks the nation’s leaders from obtaining visas to travel to the United States. Not only has the hoped-for reform failed to occur, but in the intervening years, Burma/Myanmar’s military junta has repeatedly jailed political activists, strengthened its control over the country’s domestic media, and escalated conflicts with minority groups along its borders.

Immediately following Cyclone Nargis in May 2008, the junta held a national referendum to approve the country’s new constitution, which provides for the establishment of a nominally democratic government. In November 2010, nationwide elections were held to form the legislature of that new government. Both votes were dismissed by domestic and international observers as plagued by irregularities and a lack of transparency. The United States has insisted that more reform needs to take place, including the release of more than 2,000 political prisoners, to prove that Burma/Myanmar really is moving toward a more democratic system.

The Obama administration launched a policy of “pragmatic engagement” in 2009, including a review of U.S. policy toward Burma/Myanmar. The review did not drastically alter the U.S. approach, but it was followed by several high-level visits to the country by Assistant Secretary of State Kurt Campbell in November 2009 and May 2010 and Deputy Assistant Secretary of State Joseph Yun in December 2010 and May 2011. While these visits resulted in photo ops and some positive words from Burmese rulers, signs that any real change is occurring have been ambiguous at best. In August 2011, the U.S. Senate approved Derek Mitchell as the U.S. special representative for Burma/Myanmar to serve as the main U.S. interlocutor with the regime. Still, most observers believe it is highly unlikely that U.S.-Burma/Myanmar relations are headed for a thaw any time soon.

There were a few promising moves by the junta in 2011, including the release of Aung San Suu Kyi from house arrest and her being allowed to travel in the countryside and meet with President Thein Sein and other officials. The regime also took some tentative steps to reform its economy, unblock the websites of foreign news organizations, and release some political prisoners. The president even suspended work on a Chinese-built dam that had prompted considerable domestic alarm. There is still a long way to go and such tentative steps are easily reversed, as they have been in the past.

It is important that Burma/Myanmar not be allowed to curtail growing U.S. cooperation with the rest of ASEAN. Ever since the country joined the group in 1997, Burma/Myanmar has been a stumbling block in ASEAN’s relations with its U.S. and European partners. The United States and ASEAN have taken steps to limit such problems, including urging Burma/Myanmar to forego its turn to chair the association in 2006. It will be Burma/Myanmar’s turn to chair the grouping in 2016, and it has asked to take Laos’s turn in 2014 pending approval by its fellow members. It is inevitable that Burma/Myanmar will eventually assume the chair of the association, which will mean the United States will need to find a way to accommodate the regime enough to attend summits on the country’s soil. Such eventualities will be distasteful, but the United States must plan now to ensure that Burma/Myanmar is not allowed to derail the United States’ otherwise growing engagement with ASEAN, the lynchpin of Asia’s regional architecture.

The China Dimension

The United States and its Asian partners benefit from China's economic dynamism and seek to emphasize comprehensive and positive cooperation with Beijing. However, China’s increasingly assertive stances regarding territorial disputes in the South China Sea and East China Sea have raised concerns across the region. There is growing uncertainty about whether recent Chinese actions represent a tactical misstep and re-adjustment, or whether they are the beginning of a long-term trend toward greater Chinese assertiveness vis-à-vis smaller states in Asia. Most Asian nations recognize that China's strategy includes a consistent and long-term focus on developing and expanding its influence in Southeast Asia. China increasingly appears to view its influence in Southeast Asia as a form of “manifest destiny,” which could, but does not necessarily, imply a more expansionist approach toward the region.

The South China Sea has become the nexus where this growing Chinese assertiveness threatens to undermine U.S. security interests in the region. Most fundamentally, the Chinese “9-dotted line” claim that encompasses nearly all of the South China Sea is based not on the UN Convention on the Law of the Sea (UNCLOS), to which China is a signatory, nor on any other form of international maritime law, but rather on historical claims dating back centuries. Although the United States is not a claimant to the area and does not take a position on the disputes themselves, it is in the U.S. interest that those disputes be settled peacefully and within the framework of accepted international laws and norms. China's historical claims stand outside this framework, and its insistence that its sovereignty over the area is indisputable and outside the purview of UNCLOS threatens to delegitimize a half-century of international maritime law.

Although the United States is not a signatory to UNCLOS, the U.S. Navy operates under the convention's guidelines. If these guidelines are undermined, the freedom of movement of U.S. vessels in the region would be threatened and the United States' ability to effectively project power in the region called into question. Of equal or greater concern is the impact China's claims could have on commercial shipping. More than half the United States' maritime trade passes through the South China Sea, and the United States has made clear that maintaining freedom of navigation in the region is a critical national interest. This was the message Secretary of State Clinton sent at the ARF in July 2010, and that policy has since been reiterated consistently by administration officials.

The message that the United States is an interested party in the South China Sea dispute has been welcomed by most regional partners, especially Vietnam and the Philippines. With the escalation of tensions between those two nations and China in late 2010 and the first half of 2011, Vietnam and the Philippines have increasingly looked to the United States for support. The Philippines, as a treaty ally, has been particularly vocal in calling for U.S. engagement and support. However, some analysts have expressed concern that the United States may not be willing to fully support the Philippines if disputes in the South China Sea lead to conflict with China. The United States should clarify what it believes are its obligations to protect the Philippines in such a scenario so as to avoid any conflict that could result from a misunderstanding.

More importantly, it is not in the United States’ or its allies’ interests to allow territorial disputes to escalate into a conflict with China. All efforts must be made to foster a sustainable multilateral framework to resolve these disputes and head off the potential for further aggressive behavior. These should include discussion of the issue at the EAS and ARF, as well as consultations between the four ASEAN claimants (Brunei, Malaysia, the Philippines, and Vietnam) to coordinate their approach to China.
Although the Chinese approach is perceived as opportunistic, China’s economic dynamism, including the promise of aid, investment, expanding exports, and revenue from tourism, is compelling to ASEAN. Rapidly expanding economic ties with China and security dependence on the United States are accelerating trends that are increasingly cross-cutting and beginning to come into conflict. Regional security architectures should recognize this situation and create venues and mechanisms to neutralize these trends. The United States should emphasize that the regional security architecture must be based on the rule of law and involve key stakeholders, including major powers, in order to provide effective mechanisms for building trust, establishing channels for communication, enhancing transparency, and understanding member nations’ intentions and national security concerns. Regional architecture is driven by national, multilateral, and transnational motivations ranging from hard security to transnational issues, as well as the need to establish a collective geopolitical identity for Asia in the twenty-first century.

While many, both within and outside the region, view the U.S.-ASEAN relationship as a balance against China’s growing influence, the United States must make every effort to emphasize that its goal is not to confront a rising China. There are too many economic linkages and areas where cooperation is needed for the United States and China to risk good relations. If anything, the United States and ASEAN must search for areas in which active cooperation with China is possible. These include disaster relief and anti-piracy operations, both of which offer the potential for all concerned militaries to work together and build trust.

Cooperation on the Mekong River, where China has been criticized for a glut of dam building that could negatively affect Thailand, Vietnam, Burma/Myanmar, Laos, and Cambodia downstream, is another area of possible cooperation where the United States could lend valuable logistical support. It is in no party’s interests to allow China to operate outside the established rules of the international system, but it is also clearly in no party’s interests to precipitate unnecessary conflict.

**U.S. Opportunities**

The United States has a number of avenues through which to address some of the political and security challenges it faces in Southeast Asia. It should:

- Approach the first year of U.S. membership in the EAS in a “listening mode” and accept that Asian regional structures are “messy” and have overlapping jurisdictions. Some EAS members are concerned that the United States might try to overassert itself too early. Instead, a thoughtful and statesman-like posture should be adopted for the first summit, which will reassure partners that the United States respects the unique ASEAN approach to diplomacy and enhance U.S. prestige and influence in the long term.

- Work to institutionalize the annual U.S.-ASEAN Leaders Meeting into a forum at which long-term strategic cooperation is hammered out. This will prove an invaluable tool for building familiarity and confidence between the U.S. and Southeast Asian governments, and will also help institutionalize the U.S. approach to the region. By developing a long-term mechanism for strategic cooperation, the United States could elevate its relations with ASEAN to the same level of consistency as its relationships with other regional partners like Japan and South Korea, and assuage ASEAN states’ anxiety over the depth of the U.S. commitment to the region.
- Continue to press for free and open navigation in the disputed South China Sea, but avoid a strident stance that will create anxiety in ASEAN capitals. The United States should provide support for ASEAN countries in resolving territorial disputes. While diffusing potential disagreements early is preferable, avoiding territorial disputes completely would be impossible, and therefore the United States should coordinate with other extraregional powers, including Japan, Australia, and the European Union, to provide legal and technical support to ASEAN states to resolve intra-ASEAN disputes as well as disputes with neighboring countries. U.S. engagement on the South China Sea would be enhanced if the U.S. Senate ratified UNCLOS.

**Conclusion**

The United States' political and security relationship with the ASEAN states has been steadily improving in recent years, but much more remains to be done. While relationships with treaty allies Thailand and the Philippines, as well as with strategic partners like Singapore, have been reliably strong, relations with other states like Indonesia and Malaysia have been less consistent. Aside from Thailand, U.S. political and military cooperation with mainland Southeast Asia lags behind U.S. relations with the rest of the region, though considerable progress has been made with Vietnam in recent years.

More importantly, the majority of U.S. initiatives with ASEAN countries are bilateral, while cooperation at the regional level remains underdeveloped. Security challenges in the region are myriad, with maritime security, freedom of navigation, nontraditional security threats, and natural disasters a perennial concern. There is also the potential for conflict between China and its Southeast Asian neighbors over territorial disputes in the South China Sea. Implementation of the recommendations put forth earlier in this chapter would go a long way toward meeting these challenges and developing deeper U.S.-ASEAN political and security relations.

**Other Recommendations to Consider**

- Encourage more high-level U.S. congressional delegation visits to Southeast Asia and explore setting up a Congressional Southeast Asia Working Group similar to the Congressional U.S.-China Working Group established by Representatives Rick Larsen and Mark Kirk following a high-profile visit to China in 2005. While the Obama administration has devoted more attention to the U.S.-ASEAN relationship than its predecessors, the same level of commitment must be fostered in Congress as well. Developing a core of lawmakers dedicated to strengthening engagement with Southeast Asia will help elevate the relationship to the level of those with other regional players, like China, Japan, and Taiwan, which enjoy substantial congressional attention.

- Support efforts to encourage further economic integration among the ASEAN countries and promote measures to strengthen the ASEAN secretariat. ASEAN currently has no legal stipulation in force that allows foreign diplomats to serve as registered ambassadors to the organization with all the attendant privileges and immunities. The United States should encourage ASEAN member countries to sign the ASEAN Agreement on Privileges and Immunities, which would streamline U.S. diplomatic dealings with ASEAN and provide to foreign diplomats the privileges and immunities they are granted in other international organizations. In
addition, the United States should take steps to support the secretariat’s capacity building, including bringing ASEAN representatives to the United States for training and skills exchanges. The United States should identify and support greater ASEAN policymaking capabilities in areas where the secretariat has gained influence across the region.

- Complete naming the members of the U.S.-ASEAN Eminent Persons Group, which will provide ideas for and build support in the political, business, education, and civil society communities for increased ties between the United States and the region. This effort is an integral part of the overall process of deepening U.S. engagement with Southeast Asia and convincing regional partners and allies that the United States is committed to a long-term strategy of cooperation.

- Support efforts by the several existing Burma/Myanmar Track 1.5 and Track 2 Working Groups to explore options for political and economic reform in the country. Analysis of the country’s economy is particularly needed to support the many government and nongovernment efforts already under way. Burma/Myanmar remains a thorn in ASEAN’s side, tarnishing its brand and complicating efforts at closer cooperation with partners like the EU and United States. With Burma/Myanmar potentially assuming the ASEAN chair as early as 2014, and definitely by 2016, the United States can no longer afford to ignore the country without jeopardizing relations with the entire grouping. Recent signs of détente between the ruling regime and the opposition are promising, as is the moderate opening of political space since the election of a nominally civilian government in October 2010. The time is ripe to engage more actively with Burma/Myanmar and demonstrate that further reform will bring the country economic and political benefits via better relations with the United States and other like-minded countries.

- Strengthen or create regional institutions to coordinate humanitarian assistance and disaster relief and to combat piracy in Southeast Asia. Existing organizations are in place, but they are too diverse to adequately and efficiently leverage U.S. resources with those of allies and partners. Stronger regional institutions could serve as a platform for cooperation and confidence building among the United States, ASEAN, and other regional powers, including China. This effort would also help to communicate the extent of U.S. leadership and support for “global commons” among Asian populations. Combating piracy is of particular importance because freedom of navigation for commercial traffic through the Strait of Malacca and South China Sea is vital to U.S. interests. HADR operations are valuable for confidence-building and also bolster U.S. soft power in the region, as was seen by the goodwill the United States received from regional states for its efforts after the Indian Ocean tsunami in 2004 and Cyclone Nargis in 2008.

- Promote through training and capacity building the sharing of annual national security and defense plans by all EAS member countries to enhance transparency, dialogue, and confidence building. The resulting confidence will go a long way toward avoiding potential conflicts that might result from misunderstandings and misinterpretations. It also might calm fears throughout the region about China’s intentions as the Chinese military modernizes and its power projection capabilities increase.

- Develop a consultative mechanism with U.S. friends to coordinate positions ahead of the EAS and the ADMM+ and recommend that the ADMM+ meet annually instead of every three years. A consultative mechanism will give both the United States and its partners in the region more clout at the EAS and ADMM+ by allowing them to present a united front. If annual
ADMM+ meetings are too difficult to organize, the senior officials of the defense ministers, called the ASEAN Defense Senior Officials Meeting Plus (ADSM+), could engage in more robust exchanges. More frequent ADMM+ meetings will exert pressure on China and its allies to allow these forums to tackle issues such as the South China Sea, which are important to U.S. interests but have been avoided in previous years to accommodate Chinese reluctance. By meeting yearly, the ADMM+ can be elevated to the same level of importance as other ASEAN initiatives and can become the premier forum for security dialogue in the region. This will benefit the United States as well as regional states because the ARF, which has been the only major forum for security and political dialogue in the past, is too large and cumbersome to effectively build trust and tackle sensitive issues.

- Normalize military-to-military ties with Indonesia, Vietnam, and other ASEAN countries. In cases where military-to-military ties are not normal, the United States should commission studies to define the political, legal, congressional, and practical challenges that need to be addressed to normalize relations, including directly addressing potentially contentious issues like human rights. The evolving U.S. military relationships with Indonesia and Vietnam are of particular importance here, because they are two “heavy hitters” in the region and their cooperation will be crucial to future attempts to strengthen regional military and political cooperation.

Appendix A:
Background—America’s Security Interests and Engagement in Southeast Asia

At the end of World War II, with the United States’ attention shifting to the perceived threat of the spread of communism, Asia was given serious consideration by U.S. policymakers, and the nations of Southeast Asia were no exception. During the first Indochinese War, the United States funded up to three-quarters of the French war effort against the Viet Minh forces. After French Indochina was split into the four independent nations of Laos, Cambodia, and North and South Vietnam, the United States threw its financial and, eventually, military, support behind South Vietnam. The North, in the meantime, drew substantial support from China and the Soviet Union, thereby making Southeast Asia a front in the proxy wars of the Cold War.

While the United States attempted to contain the spread of communism in Vietnam, it simultaneously developed bilateral and multilateral alliances among Vietnam’s anti-communist neighbors. This alliance-building rush resulted in 1954 in the establishment of the Southeast Asian Treaty Organization (SEATO), modeled on NATO and including Australia, France, New Zealand, Pakistan, the Philippines, Thailand, the United Kingdom, and the United States. The organization lacked the geographical or ideological cohesiveness of NATO, however, and despite U.S. attempts to turn it into the centerpiece of a new regional architecture, SEATO limped along until it was dissolved in 1977. Instead, the budding U.S. system of bilateral alliances became the centerpiece of security architecture in the Asia-Pacific.

Despite the failure of SEATO, the non-communist Southeast Asian states were not comfortable with either isolation or a reliance on bilateral ties with the United States, and therefore came together in 1967 to establish ASEAN. The founding members—Indonesia, Malaysia, , the Philippines, Thailand, and Singapore—made a point in their founding documents and official statements
to describe the organization as a neutral entity protecting the sovereignty of all from interference by the Cold War powers. However, a strain of anti-communism ran through the early years and kept the association on considerably warmer terms with the United States than with the Soviet Union or China.

With the communist victory in Vietnam in 1975 and Vietnam’s 1979 invasion of Cambodia, ASEAN grew explicitly wary of its communist neighbor. This period also saw the United States drawn closer to the ASEAN member states, strongly supporting them in the UN and arming Khmer resistance forces in their attempts to drive the Vietnamese out of Cambodia. With the fall of the Soviet Union and the brokered withdrawal of Vietnam from Cambodia, the United States eventually moved to normalize relations with Vietnam and ASEAN moved to incorporate Vietnam into the grouping.

**Appendix B:**

**U.S. Foreign Assistance to ASEAN Countries**

Aside from military assistance, the United States engages politically with Southeast Asia as a substantial aid provider. U.S. economic and military aid to ASEAN fell sharply from its peak of $982 million in 2005, but then trended upward and reached $731 million in 2008. (See Figure 2.4.) For most of the period 2001–2008, the majority of U.S. military and economic aid went to the Philippines and Indonesia, though that imbalance became less pronounced in 2008.

U.S. aid to ASEAN for nonproliferation, counterterrorism, de-mining, and related activities was substantial throughout the period 2002–2008. Assistance in these fields was spread across the region more broadly than overall economic and military aid, but it was still dominated by

---

**Figure 2.4**  **U.S. Military and Economic Aid to ASEAN Countries, 2001–2008**

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Burma (Myanmar)</td>
<td>2</td>
<td>5</td>
<td>4</td>
<td>8</td>
<td>15</td>
<td>11</td>
<td>17</td>
<td>83</td>
<td>83</td>
<td>0</td>
</tr>
<tr>
<td>Cambodia</td>
<td>45</td>
<td>54</td>
<td>63</td>
<td>93</td>
<td>98</td>
<td>71</td>
<td>75</td>
<td>76</td>
<td>75</td>
<td>1</td>
</tr>
<tr>
<td>Indonesia</td>
<td>195</td>
<td>204</td>
<td>181</td>
<td>161</td>
<td>588</td>
<td>269</td>
<td>236</td>
<td>208</td>
<td>194</td>
<td>14</td>
</tr>
<tr>
<td>Laos</td>
<td>5</td>
<td>10</td>
<td>7</td>
<td>5</td>
<td>7</td>
<td>3</td>
<td>4</td>
<td>7</td>
<td>7</td>
<td>0</td>
</tr>
<tr>
<td>Malaysia</td>
<td>2</td>
<td>2</td>
<td>3</td>
<td>2</td>
<td>12</td>
<td>5</td>
<td>7</td>
<td>53</td>
<td>52</td>
<td>1</td>
</tr>
<tr>
<td>Philippines</td>
<td>151</td>
<td>208</td>
<td>205</td>
<td>238</td>
<td>167</td>
<td>213</td>
<td>169</td>
<td>161</td>
<td>132</td>
<td>29</td>
</tr>
<tr>
<td>Singapore</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>7</td>
<td>1</td>
<td>1</td>
<td>0</td>
</tr>
<tr>
<td>Thailand</td>
<td>35</td>
<td>35</td>
<td>35</td>
<td>23</td>
<td>56</td>
<td>51</td>
<td>50</td>
<td>55</td>
<td>53</td>
<td>2</td>
</tr>
<tr>
<td>Vietnam</td>
<td>25</td>
<td>19</td>
<td>45</td>
<td>47</td>
<td>39</td>
<td>48</td>
<td>68</td>
<td>87</td>
<td>87</td>
<td>0</td>
</tr>
<tr>
<td>Total</td>
<td>460</td>
<td>537</td>
<td>543</td>
<td>577</td>
<td>982</td>
<td>671</td>
<td>633</td>
<td>731</td>
<td>684</td>
<td>47</td>
</tr>
</tbody>
</table>

assistance to Indonesia. (See Figure 2.5.) This was particularly true in 2002 and 2004–2007, when Indonesia received between $6 million and $8 million per year.

Antinarcotics assistance to ASEAN from the United States during the period 2002–2008 went almost entirely to three countries: Thailand, Laos, and Indonesia. (See Figure 2.6.) For Indonesia, the funds were substantial only in 2002 and 2008, while assistance to Laos and Thailand was more sustained. In the case of Laos, this reflects the country’s struggle with poppy cultivation, while for Thailand, where assistance peaked at nearly $10 million in 2006, it is indicative of the continued importance of the Thai-U.S. relationship as well as the contribution of the drug trade to funding violence in Thailand’s restive south.

In the case of aid for migrant and refugee work, the United States earmarked small amounts of assistance to Vietnam and Indonesia, but the lion’s share of this aid went to Thailand, which is the major transit point for migrant labor in mainland Southeast Asia. (See Figure 2.7.) In addition, the United States is a major benefactor to Karen and other Burmese refugee groups along the Thai-Burmese border; this assistance reached nearly $20 million in 2007 and topped $25 million in 2008.

From 2002 through 2008, U.S. assistance to ASEAN through the Economic Support Fund, which aims to stabilize free markets and promote the institutions necessary for democratic transi-
### Figure 2.6 U.S. Narcotics Control Assistance to ASEAN Countries, 2002–2008 (in millions of $)

<table>
<thead>
<tr>
<th>Year</th>
<th>Malaysia</th>
<th>Indonesia</th>
<th>Philippines</th>
<th>Laos</th>
<th>Thailand</th>
</tr>
</thead>
<tbody>
<tr>
<td>2008</td>
<td>5282</td>
<td>6154159</td>
<td>536326</td>
<td>1035480</td>
<td>3229814</td>
</tr>
<tr>
<td>2007</td>
<td>633200</td>
<td>34930</td>
<td>1078510</td>
<td>1214916</td>
<td>9691860</td>
</tr>
<tr>
<td>2006</td>
<td>9691860</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2005</td>
<td>43939</td>
<td></td>
<td></td>
<td></td>
<td>4554792</td>
</tr>
<tr>
<td>2004</td>
<td>4820722</td>
<td></td>
<td></td>
<td></td>
<td>4336750</td>
</tr>
<tr>
<td>2003</td>
<td>2500000</td>
<td></td>
<td></td>
<td></td>
<td>37000000</td>
</tr>
<tr>
<td>2002</td>
<td>4000000</td>
<td></td>
<td></td>
<td></td>
<td>40000000</td>
</tr>
</tbody>
</table>

### Figure 2.7 U.S. Migration and Refugee Assistance to ASEAN Countries, 2002–2008 (in millions of $)

<table>
<thead>
<tr>
<th>Year</th>
<th>Malaysia</th>
<th>Indonesia</th>
<th>Philippines</th>
<th>Laotian</th>
<th>Burma (Myanmar)</th>
<th>Thailand</th>
<th>Cambodia</th>
<th>Vietnam</th>
</tr>
</thead>
<tbody>
<tr>
<td>2008</td>
<td>486000</td>
<td>1000000</td>
<td>625000</td>
<td>2561691</td>
<td>2442717</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2007</td>
<td>647448</td>
<td>599000</td>
<td>110000</td>
<td>988430</td>
<td>19764063</td>
<td>200000</td>
<td>2924307</td>
<td></td>
</tr>
<tr>
<td>2006</td>
<td>655000</td>
<td></td>
<td>1093999</td>
<td>578000</td>
<td>1872753</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2005</td>
<td>61388</td>
<td></td>
<td>12837081</td>
<td>439238</td>
<td>255443</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2004</td>
<td>5133046</td>
<td></td>
<td>1488639</td>
<td>133685</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2003</td>
<td>2330000</td>
<td></td>
<td>3112883</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2002</td>
<td>2330000</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
tion and consolidation, has largely focused on Indonesia and the Philippines. (See Figure 2.8.) Cambodia and, to a lesser extent, Burma/Myanmar have also received sustained though less substantial assistance through this program. The funding for Burma/Myanmar went to refugee programs along the border with Thailand.
Sustaining strong relations between ASEAN and the United States cannot depend only on high-level government–to-government exchanges or on trade and investment driven by the domestic business communities. There must also be interactions and exchanges between people in the United States and Southeast Asia from all levels of society. Because of that, increased educational, cultural, tourism, sports, and other people-to-people initiatives over the years have played key roles in developing goodwill and bolstering relations between Southeast Asia and the United States. People-to-people exchanges provide an opportunity for U.S. engagement, particularly at a time when domestic political differences hobble efforts to move ahead with trade agreements.

Ties between the people of ASEAN and the United States have been bolstered by the fact that many Southeast Asians live in or have studied in the United States. The United States is home to more than 3.5 million residents, or approximately 9 percent of the U.S. foreign-born population, who claim an ASEAN country as their place of birth.1 More than 4.2 million Americans trace their heritage in whole or in part to the region.2 They identify themselves as Southeast Asians living in the United States and are America’s greatest reservoir of strength in interacting with ASEAN. Currently, about 43 U.S. cities or states have “sister city” relations with 64 partners in ASEAN.3

U.S. soft power has remained relatively strong in Southeast Asia and Asia. American culture has come to ASEAN in the form of television programs, movies, books, music, the Internet, sports, and a myriad of other activities, which have spread organically without government intervention. America’s strong culture of education and democratic principles are core values that in many ways define the image of the United States in Asia and remain attractive to many people in Southeast Asia, particularly the young. This is a special advantage that the United States must continually earn and invest in.

Addressing key challenges and restrictions, ranging from institutional limitations to cost and distance to regulatory barriers, could exponentially enhance people-to-people linkages. Expanding ties in the public and private sectors is critical because it lays the foundation for a creative, broad, and deep people-to-people relationship between ASEAN and the United States.

---

2. U.S. Census Bureau, 2000 estimates.
Recommendations
To advance further the people-to-people linkages with ASEAN, the United States should:

- Announce a program to increase substantially the number of ASEAN students who study in the United States and the number of U.S. students who study in ASEAN schools. Consider setting a target for educational exchanges covering all of ASEAN.
- Appoint a U.S.-ASEAN Eminent Persons Group, and task it with building support in the political, business, education, and civil society communities for increased ties between the United States and the region.
- Streamline inefficient visa security review programs to make it easier for Southeast Asians to travel to the United States for business, work, study, and tourism without threatening U.S. security. Visa delays hold back business missions to the United States, limit the number of tourists who visit, and reduce the numbers of students who come to study. Larger numbers of business, student, and tourist visitors would boost U.S. economic growth and create more jobs in the United States.

Current Status and Challenges

Admissions into the United States
Since 9/11, access to the United States for many groups of potential visitors has become more difficult due to stringent visa and entry procedures. Cumbersome security measures, including lengthy waits for tourist visas to enter the country, have created the perception that the United States is less welcoming to visitors and have prompted a reduction in the number of people arriving from the Southeast Asia.

In response to fears triggered by the 9/11 attacks, the United States increased its efforts to secure its borders against immigration and visitors. The number of U.S. Border Patrol agents, for example, more than doubled to more than 20,700 after 9/11. The United States has also tightened its border surveillance procedures, including the screening of airline passengers for terrorist ties, and double-checking visitors’ identities and fingerprints before issuing entry visas.

Inefficient entry procedures at U.S. borders clearly have had some negative effects on people-to-people exchanges. The United States “flipped from being one of the easiest countries in the world to enter—welcoming to tourists, students, business travelers, and immigrants—to becoming one of the most difficult.” Students from Southeast Asia stopped coming in the same numbers, investors began looking for more welcoming markets, and tourists found other places to vacation. One year after 9/11, Malaysia’s then deputy prime minister Abdullah Badawi was physically searched at Los Angeles International Airport and asked to remove his belt and shoes when he

---

traveled through Los Angeles en route to a UN General Assembly meeting in New York.\(^6\) Southeast Asian leaders still complain that inefficient U.S. visa and entry procedures continue to persist and discourage Southeast Asia visitors from traveling into the United States.

No one knows how many potential visitors skip the United States due to the long visa delays. What is known is that while global long-haul travel rose 40 percent in the decade to 2010, the U.S. share of that travel dropped from 17 percent to 12 percent during that period, according to data compiled by the U.S. Travel Association.\(^7\)

The rate of nonimmigrant (Form I-94) admissions to the United States from Southeast Asia dropped significantly after 2001. Although the numbers returned to pre-9/11 levels in 2007, they decreased again following the global financial crisis in 2008, dropping by about 100,000 in 2009.\(^8\) (See Figure 3.1.)

For HIB1 visas—nonimmigrant visas that allow U.S. employers to temporarily hire skilled foreign workers in specialty occupations such as health care, the sciences, and engineering—ASEAN

---


### Figure 3.2 Temporary Workers and Trainees in the United States from Selected Asian Countries, 2009

<table>
<thead>
<tr>
<th>Country</th>
<th>H1B, H1B1 Temporary workers and trainees: specialty occupations</th>
<th>O1 Temporary workers and trainees: extraordinary ability or achievement</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>ASEAN</td>
<td>12855</td>
<td>536</td>
<td>13391</td>
</tr>
<tr>
<td>China</td>
<td>12922</td>
<td>289</td>
<td>13211</td>
</tr>
<tr>
<td>India</td>
<td>123002</td>
<td>512</td>
<td>123514</td>
</tr>
<tr>
<td>Japan</td>
<td>9677</td>
<td>1815</td>
<td>11492</td>
</tr>
<tr>
<td>South Korea</td>
<td>8719</td>
<td>692</td>
<td>9411</td>
</tr>
</tbody>
</table>


### Figure 3.3 Persons from ASEAN Obtaining U.S. Permanent Resident Status, 2001–2010

<table>
<thead>
<tr>
<th>Country</th>
<th>2001</th>
<th>2002</th>
<th>2003</th>
<th>2004</th>
<th>2005</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Brunei</td>
<td>27</td>
<td>28</td>
<td>20</td>
<td>22</td>
<td>25</td>
<td>32</td>
<td>18</td>
<td>26</td>
<td>20</td>
<td></td>
</tr>
<tr>
<td>Burma</td>
<td>1373</td>
<td>1356</td>
<td>1193</td>
<td>1379</td>
<td>2095</td>
<td>4562</td>
<td>3130</td>
<td>3403</td>
<td>1362</td>
<td>1292</td>
</tr>
<tr>
<td>Cambodia</td>
<td>2462</td>
<td>2800</td>
<td>2263</td>
<td>3553</td>
<td>4022</td>
<td>5773</td>
<td>4246</td>
<td>3713</td>
<td>3771</td>
<td>2986</td>
</tr>
<tr>
<td>Indonesia</td>
<td>2525</td>
<td>2418</td>
<td>1805</td>
<td>2419</td>
<td>3924</td>
<td>4868</td>
<td>3716</td>
<td>3606</td>
<td>3679</td>
<td>3032</td>
</tr>
<tr>
<td>Laos</td>
<td>1398</td>
<td>1245</td>
<td>896</td>
<td>1147</td>
<td>1242</td>
<td>2892</td>
<td>2575</td>
<td>2198</td>
<td>1688</td>
<td>1200</td>
</tr>
<tr>
<td>Malaysia</td>
<td>2439</td>
<td>2124</td>
<td>1200</td>
<td>1987</td>
<td>2632</td>
<td>2281</td>
<td>2149</td>
<td>1945</td>
<td>2014</td>
<td>1714</td>
</tr>
<tr>
<td>Philippines</td>
<td>52919</td>
<td>51040</td>
<td>45250</td>
<td>57846</td>
<td>60746</td>
<td>74606</td>
<td>72596</td>
<td>54030</td>
<td>60029</td>
<td>58173</td>
</tr>
<tr>
<td>Singapore</td>
<td>1100</td>
<td>1033</td>
<td>582</td>
<td>966</td>
<td>1204</td>
<td>997</td>
<td>985</td>
<td>922</td>
<td>832</td>
<td>774</td>
</tr>
<tr>
<td>Thailand</td>
<td>4245</td>
<td>4144</td>
<td>3126</td>
<td>4318</td>
<td>5505</td>
<td>11749</td>
<td>8751</td>
<td>6637</td>
<td>10444</td>
<td>9384</td>
</tr>
<tr>
<td>Vietnam</td>
<td>35419</td>
<td>33563</td>
<td>22087</td>
<td>31524</td>
<td>32784</td>
<td>30691</td>
<td>28691</td>
<td>31497</td>
<td>29234</td>
<td>30632</td>
</tr>
</tbody>
</table>

and China were roughly tied in 2009 with nearly 13,000 visas each, about 10 percent of the number granted India in that year (see Figure 3.2).

The number of people from Southeast Asia who obtained U.S. permanent resident status and were naturalized fell in the years immediately after 9/11. Those figures indicate that the frequency of people-to-people exchanges between the United States and ASEAN has been less robust over the past decade, making it harder for the United States and Southeast Asia to sustain a consistent and high level of people-to-people engagement (see Figures 3.3 and 3.4).

Experts argue that many of the stringent U.S. entry procedures are avoidable. Careful screening for terrorists does not require treating everyone like a potential terrorist. What is needed is an intelligent risk-management system that identifies and isolates those who are a threat, while "welcoming the vast majority of travelers and immigrants who are building the United States, not tearing it down."  

---

9. Ibid.
Education Linkages

American education is a core asset that remains highly attractive to Southeast Asia. The educational experience of Southeast Asians in the United States has been overwhelmingly positive for decades. The graduates of high school exchange programs, colleges, universities, and countless training programs have emerged as leaders in every field after returning to their countries. They have had a positive impact on the diplomatic, economic, and other relations between their countries and the United States.

Some of the top Southeast Asian leaders who have attended U.S. colleges:

- Susilo Bambang Yudhoyono, president of Indonesia: Master of Arts from Webster University; attended Airborne Courses, Ranger Courses, and Infantry Officer Advanced Courses at Fort Benning; attended U.S. Army Command and General Staff College at Fort Leavenworth.
- Lee Hsien Loong, prime minister of Singapore: Master of Public Administration from Harvard University’s Kennedy School of Government; attended U.S. Army Command and General Staff College at Fort Leavenworth.
- Yingluck Shinawatra, prime minister of Thailand: master’s degree from Kentucky State University.
- Goh Chok Tong, former prime minister of Singapore: Master of Arts from Williams College.
- Surin Pitsuwan, secretary general of ASEAN: Bachelor of Arts from Claremont McKenna College; Master of Arts and PhD from Harvard University.
- Sri Mulyani Indrawati, managing director of the World Bank Group and former finance minister of Indonesia; Master of Arts and PhD from University of Illinois at Urbana-Champaign.
- Mari Pangestu, Indonesian minister of tourism and creative economy: PhD in economics from the University of California (Davis).
- Cesar Purisima, Philippines secretary of finance: MBA from J. L. Kellogg School of Management, Northwestern University.
- Albert Del Rosario, Philippines foreign secretary: Bachelor of Science, New York University.

During 2009–2010, the total number of students from Southeast Asia studying in the United States was 43,817. This number is significantly lower than the number of students from many other Asian countries, such as China, India, and South Korea. Nearly 86 percent of the ASEAN students are pursuing an undergraduate or advanced degree.

In the early 2000s, students from Indonesia, Thailand, Malaysia, and Singapore made up the majority of Southeast Asian students studying in the United States. In the span of 10 years, Vietnamese students emerged as the largest group, increasing by 6.5 times from 2,022 in 2000–2001 to 13,112 in 2009–2010. This rapid increase can be attributed to the rising incomes of Vietnam’s urban middle classes and the lack of opportunities in Vietnam for a college education. In contrast, the numbers from Indonesia decreased from 11,625 in 2000–2001 to fewer than 7,000 in 2009–2010 (see Figures 3.5 and 3.6).
Figure 3.5  Asian Students Studying in the United States, 2009–2010


<table>
<thead>
<tr>
<th>Region</th>
<th>Undergraduate</th>
<th>Graduate</th>
<th>Non-Degree</th>
<th>OPT</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Southeast Asia</td>
<td>24,450</td>
<td>13,048</td>
<td>2,786</td>
<td>3,533</td>
<td>43,817</td>
</tr>
<tr>
<td>China</td>
<td>39,921</td>
<td>66,453</td>
<td>10,251</td>
<td>11,003</td>
<td>127,628</td>
</tr>
<tr>
<td>India</td>
<td>15,192</td>
<td>68,290</td>
<td>1,758</td>
<td>19,657</td>
<td>104,897</td>
</tr>
<tr>
<td>Japan</td>
<td>13,063</td>
<td>5,390</td>
<td>4,321</td>
<td>2,068</td>
<td>24,842</td>
</tr>
<tr>
<td>South Korea</td>
<td>36,234</td>
<td>23,386</td>
<td>6,671</td>
<td>5,862</td>
<td>72,153</td>
</tr>
</tbody>
</table>

Figure 3.6  Southeast Asian Students Studying in the United States, 2000–2010

According to the Institute on International Education, developing partnerships with other institutions internationally enables U.S. universities to broaden their reputations and influence around the world.\textsuperscript{11} This indicates that education exchanges not only improve people-to-people ties, but are also a venue for American universities to increase their prestige and become internationally recognized.

Recently, some U.S. universities have set up campuses in Southeast Asia or established partnerships with universities in the region, or done both. This arrangement occurs most extensively in Singapore and includes the University of Chicago Booth Business School Singapore campus, New York University Tisch School of the Arts, the Singapore–MIT Alliance, the Yale-NUS Liberal Arts College, and the Johns Hopkins Medicine Singapore Division of Biomedical Sciences.\textsuperscript{12} In Thailand, Chulalongkorn University’s Business School set up a partnership with the Kellogg School of Management at Northwestern University and the Wharton School of the University of Pennsylvania.\textsuperscript{13}

Some key challenges that hamper Southeast Asian students who are interested in studying in the United States are visa restrictions and the relatively high cost of tuition and living expenses. Encouraging more U.S. universities to enter into partnerships or set up campuses in ASEAN member countries would allow more Southeast Asian students to receive a U.S. education.

Another obvious gap is a lack of awareness in the United States about and interest in Southeast Asia. Of the 6,000 recognized postsecondary institutions in the United States,\textsuperscript{14} only 15 have a Southeast Asian studies department.\textsuperscript{15} The lack of Southeast Asia-focused programs in the United States reflects the general apathy of both American students and educators toward the region. Compared to the number of students from ASEAN countries studying in the United States, the number of American students studying in Southeast Asia has remained relatively small. While it increased by nearly 300 percent in the decade from 2000, the total number of U.S. students studying in ASEAN nations in 2009 stood at a meager 3,426. Singapore, Thailand, and Vietnam have been the destinations of choice for 80 percent of these students and account for most of the increase (see Figure 3.7).

The U.S. State Department's prestigious Fulbright Program has been one of the main vehicles for U.S. and ASEAN students and scholars to visit one another's countries for educational exchanges. The program, established in 1946 by Senator William Fulbright, was intended to boost mutual understanding between the people of the United States through the exchange of people, knowledge, and skills. From 2009 through 2011, about 800 to 900 Americans applied each year for the Fulbright Program's entire East Asia program, but fewer than 200 of them were accepted.\textsuperscript{16}

\begin{footnotesize}
\begin{itemize}
\end{itemize}
\end{footnotesize}
One of the main challenges facing the Fulbright Program is its decreasing budget. In February 2011, President Obama’s Fiscal Year (FY) 2012 budget requested $252.7 million for the Fulbright Program, a decrease of $1.1 million from the level approved for FY2010 and $800,000 less than the funding level under the FY 2011 continuing resolution.17

---

Tourism Linkages

Tourism has been a key industry in strengthening U.S.-ASEAN people-to-people relations. Nearly half a million Southeast Asians visited the United States for short-term business trips and vacations in 2009. About 76 percent of them came for vacations. Some 50,000 more tourists from ASEAN visited the United States than visited from China, but the numbers from China are growing more quickly than those from Southeast Asia. Among the tourists arriving from ASEAN countries, the majority of temporary visitors are from the Philippines, who account for 42 percent of the total (see Figures 3.8 and 3.9).

Figure 3.8 Temporary Visitors to the United States from Asia, 2009

In 2009, nearly 2 million Americans visited ASEAN. This number is lower than any other year in the period 2005–2009 and is attributable to the effects of the global recession. The number of tourists to ASEAN from China, Japan, South Korea, and the European Union dropped substantially in 2009 as well. Before 2009, the number of American tourists to Southeast Asia had increased moderately, from about 2.3 million in 2005 to about 2.6 million in 2008, but then dropped to 1.9 million in 2009. During the same period, more tourists visited Southeast Asia from Northeast Asian and EU countries than from the United States (see Figure 3.10).
**Figure 3.9 Temporary Visitors from Southeast Asia to the United States, 2009**

![Bar chart showing temporary visitors from Southeast Asian countries to the United States in 2009.](chart_url)


**Figure 3.10 Tourist Arrivals in ASEAN Countries by Selected Partner Country/Region, 2005–2009**

![Bar chart showing tourist arrivals in ASEAN countries from selected partner countries/regions for 2005 to 2009.](chart_url)

NGOs and Volunteer Linkages

The Peace Corps was established by the U.S. government in 1961 with goal of sending American volunteers abroad to provide technical and development assistance, help people outside of the United States better understand American culture, and help U.S. citizens better understand the cultures of other countries. Over the past five decades, more than 200,000 volunteers have served in over 130 countries.

The Peace Corps is active in three ASEAN countries: Thailand, the Philippines, and Cambodia. After reaching a budget high point of $2.8 million in 2004, the Peace Corps’ budget for the Philippines was cut and hovered at just above $2 million a year through 2008. Peace Corps’ operations in Thailand, on the other hand, grew substantially, from $1.3 million in 2002 to approximately $2 million in 2008. The mission in Cambodia opened in 2006 with a budget of $654,651, which grew to $909,281 in 2008 (see Figure 3.11).

Figure 3.11 Peace Corps Budget in ASEAN Countries, 2002–2008 (in millions of $)

The budget for the Peace Corps is comparable to the roughly $320 million spent on 150 military bands across all branches of the military in 2011.18 The House of Representatives’ Appropriations Committee in April 2011 announced a proposed $69 million cut in the Peace Corps’ budget and reduced spending to 2008 levels. Under the House committee proposal, the Peace Corps would continue with an appropriation of approximately $331 million for FY 2011.19


U.S. economic development assistance to ASEAN between 2002 and 2008 focused almost entirely on Indonesia, the Philippines, and Cambodia. In 2008, Cambodia received just under $9 million, while the Philippines was given over $30 million and Indonesia received more than $70 million. With the exception of Cambodia, ASEAN’s least-developed members received little or no development assistance from the United States during this period (see Figure 3.12).

U.S. assistance to ASEAN for child survival and health programs followed the pattern of overall development assistance from 2002 through 2008. It was given primarily to Indonesia, Cambodia, and the Philippines. Assistance in these areas seems to have suddenly dried up in 2008. Whereas the largest single recipient in prior years had been Indonesia, which received nearly $65 million in 2005 alone, the largest recipient in 2008 was Vietnam with just $126,558 (see Figure 3.13 on page 46).

Beyond U.S. government assistance, American nongovernmental organizations (NGOs) provide tens of millions of dollars of assistance to Southeast Asia. Their programs range from emergency relief and reconstruction in Aceh following the 2004 tsunami to clearing fields of unexploded munitions in Laos to micro-credit for farmers in Vietnam’s Red River delta and efforts to tackle human trafficking in Cambodia. U.S. companies build schools in Vietnam, provide scholarships for students in Thailand, and donate medicines and food in response to disasters through their
corporate social responsibility programs. Private U.S. human rights and civil society groups are actively promoting rule of law and offering support to ASEAN organizations advocating increased human rights protection in the region.

**U.S. Opportunities**

To boost people-to-people exchanges with ASEAN, the United States should:

- Explore ways to streamline the overlapping and inefficient visa security review programs put in place after the 9/11 attacks to make it easier for Southeast Asians to travel to the United States for business, work, study, and tourism without threatening U.S. security. To shorten the waiting period for visitors to get in-person interviews, the government should increase the visa-processing capacity of embassies in the region. Larger numbers of business, student, and tourist visitors would boost U.S. economic growth and create more jobs in the United States.

- Develop an educational exchange program for Southeast Asia similar to the State Department’s “100,000 Strong” initiative for China by approving more F-1 and J-1 visas to incoming students from ASEAN.

- Appoint a U.S.-ASEAN Eminent Persons Group and task it with building support in the political, business, education, and civil society communities to increase ties between the United States and the region.
Conclusions

In recent decades, the United States and Southeast Asian countries have built strong educational linkages. Yet much more could be done. It is time for ASEAN and the United States to explore ways to strengthen existing programs that can directly benefit one another’s students and universities. The ASEAN students who have studied in the United States have helped drive deeper bilateral cooperation and cultural understanding between Southeast Asia and the United States.

Increased people-to-people ties could be promoted by streamlining the visa approval process for Southeast Asian tourists and business officials and expanding the Fulbright and Peace Corps programs to send more Americans to the region. People-to-people links could be used more creatively to bolster other elements of the relationship in such areas as trade and investment, diplomacy, and security and politics.

Other Recommendations to Consider

The United States should:

- With ASEAN, study how to create a regulatory environment that would facilitate the establishment of sister relationships between Southeast Asian and American colleges and universities. Explore how curricula could be aligned in specialized disciplines so that certificates could be accepted in both the United States and ASEAN.
- Create a vehicle for the private sector to leverage the talent developed in the Fulbright Program with the objective of doubling the number of participants in Southeast Asia by 2015.
- Build on the U.S. pilot project to provide English teachers in Malaysia through the Fulbright English Teaching Assistant (ETA) Program and seek to broaden it to neighboring countries.
- Boost the Peace Corps in Southeast Asia with the focus on teaching English as a way to create the skills necessary to compete in the global economy and promote goodwill toward the United States in the region.
- Initiate an annual U.S.-ASEAN Education Ministers meeting and include universities, companies, and student groups with the goal of stepping up educational cooperation between Southeast Asia and the United States.
- Work to establish more ASEAN studies programs in U.S. universities and colleges and U.S. studies programs in Southeast Asian universities.
Ernest Z. Bower is senior adviser and director of the Southeast Asia Program and the Pacific Partners Initiative at the Center for Strategic and International Studies (CSIS) in Washington, D.C. Mr. Bower is also president and CEO of BowerGroupAsia, a well-known business advisory firm. Before forming his company, he served for a decade as president of the US-ASEAN Business Council, a top private business group composed of America’s leading companies in Southeast Asia. Over 20 years, he helped to establish and build the council from the ground level, working with government and private-sector leaders from the United States and Southeast Asia.

Murray Hiebert is senior fellow and deputy director of the CSIS Southeast Asia Program. Prior to joining CSIS, he was senior director for Southeast Asia at the U.S. Chamber of Commerce, where he worked to promote trade and investment opportunities between the United States and Asia. Mr. Hiebert joined the U.S. Chamber in 2006 from the Wall Street Journal’s China bureau, where he covered trade, intellectual property rights, and China’s accession to the World Trade Organization. Prior to his posting to Beijing, he worked for the Wall Street Journal Asia and the Far Eastern Economic Review in Washington, D.C. His previous postings included Malaysia, Singapore, Vietnam, and Thailand.
Developing an Enduring Strategy for ASEAN

Co-chairs
William S. Cohen
Maurice R. Greenberg

Project Directors
Ernest Z. Bower
Murray Hiebert

January 2012