



**East-West Center and Institute for Southeast Asian Studies (ISEAS)
“United States Relations with ASEAN at Thirty”**

October 26, 2007
8:30 a.m. to 5:30 p.m.
Washington, D.C.

Meeting Notes

SESSION 1: ASEAN at 40

Substantive Focus:

- Prospects for the ASEAN Charter
- Overview of ASEAN’s relations with external power

Speakers:

- **Ambassador Rodolfo C. Severino**, Visiting Senior Research Fellow, ISEAS
- **Dr. Muthiah Alagappa**, Distinguished Senior Fellow, East-West Center

ASEAN Charter

(Background)

The ASEAN Charter, which is scheduled to be signed at the 18-22 November summit, was crafted, among other purposes, to serve as impetus for economic integration and provide minimum standards for good governance. Specifically, the Charter will be accompanied by a detailed strategic plan that effectively locks members in to achieving certain economic reforms within an established timeline. The plan generally is aimed at improving the capacity of regional members to comply with trade and investment agreements by streamlining customs procedures, improving the uniformity of standards, and strengthening transportation links, among other improvements. The Charter also will establish a set of norms for members governing the domestic behavior of states as well as inter-state behavior, covering issues such as human rights, democracy, rule of law, and good governance. It also will provide ASEAN a legal instrument to invoke in the future should there be evidence that a member is violating these norms. In addition, the draft Charter will (1) make the decision-making process in ASEAN more effective and expeditious and (2) strengthen ASEAN institutionally by improving the capacity of the Secretariat and enhancing its authority.

Summary: The rise of China and India has fueled the drive by ASEAN members to develop a governing Charter and seek greater cohesion. The speakers differed, however, about the extent to which the Charter will transform ASEAN as an organization and compel political and economic reforms by members.

Discussion Points:

1. According to one view, the fact that ASEAN states still have different outlooks on sovereignty suggests that they will resist the evolution of a supranational authority. In addition, it remains to be seen whether the principles set forth by the Charter will be implemented or simply remain on the books. We should lower our expectations about the transformative power of the new Charter.
2. Another view proposes that the Charter is best viewed as a “tool” aimed at making the decision-making process in ASEAN more expeditious and promoting compliance with the agreed upon commitments. It would be unfair to suggest, however, that the new Charter will alter the character of ASEAN overnight.
3. In further defense of point #2, one participant noted that it would have been unthinkable five years ago for an ASEAN governing document to set forth principles governing human rights. The development of the Charter therefore represents an organizational transition and reflects members’ “awareness of the outside world.”
4. The rise of China and India has fueled the drive by ASEAN members to develop a governing Charter and seek greater cohesion. They want to project the organization in the global community as one whose members adhere to minimum standards of governance and inter-state conduct and therefore is capable of regional leadership.

U.S. Engagement with ASEAN

Summary: Speakers and participants disagreed about whether the United States is sufficiently engaged in Southeast Asia at *all* levels of government. While there is considerable activity at the working level, President Bush has allowed the crisis in the Middle East to dominate his attention, creating the impression that the White House is giving short shrift to U.S.-ASEAN relations. Regardless of the frequency of high-level visits to Asia, the United States should complement its spokes-and-hub alliance system in Asia with greater direct involvement in regional institutions.

Discussion Points:

1. State Department personnel are working actively to implement various elements of the ASEAN-U.S. Enhanced Partnership agreement, which was concluded at the July 2006 Post-Ministerial Conference. Washington also has negotiated a Trade and Investment Framework (TIFA) with ASEAN and a FTA with Singapore, and began FTA negotiations with Malaysia and Thailand. In addition, the Pacific Command is deeply involved in military exchanges and joint drills with a number of nations of Southeast Asia. The frequency of leadership visits is far less important than this type of working-level cooperation on economic, political, and security-related issues.
2. The United States was faulted for inattention to Southeast Asia at the highest leadership levels. Secretary Rice’s attendance at ARF meetings has been very sporadic and President Bush has not been a frequent visitor to the region. A “presidential presence” in the region is a necessary complement to diplomatic and trade initiatives. President Bush has allowed himself to become distracted by developments in Iraq and the Middle East to the detriment of U.S. diplomacy toward Southeast Asia.
3. The United States should complement its spokes-and-hub alliance system in Asia with greater direct involvement in regional institutions. This will enable Washington to become deeply involved in shaping the agendas of such groups, which will serve U.S.

interests far better in the longer term than staying at the periphery and criticizing these groups as “talk shops.”

ASEAN and Burma/Myanmar

Summary: Speakers and participants agreed that financial sanctions generally do not work in precipitating the downfall of a repressive regime. But there was no consensus about what ASEAN should do – or could to -- to sanction Burma/Myanmar for its crackdown on demonstrators. Moreover, even a harder-line approach by China and/or India likely would have little impact on the isolationist junta.

Discussion Points:

1. ASEAN, as an institution, does not have many chips to play. It has no army, for example. The fact that ASEAN used the word “repulsive” to describe the crackdown is important and represents a significant intensification of the language used about Burma/Myanmar. ASEAN’s policy toward Burma/Myanmar has been evolving and continues to evolve in meaningful ways. That is more important than ASEAN’s “doing something” to sanction Burma.
2. Related to point #1, ASEAN leaders face a dilemma in considering whether to suspend Burma/Myanmar from the organization as punishment for the crackdowns. Importantly, Burma/Myanmar’s suspension likely would have no remedial impact on the junta; military leaders instead probably will respond by moving even closer to China. However, a decision by ASEAN *not* to suspend Burma/Myanmar could hurt the organization in the court of Western opinion and reflect poorly on ASEAN’s efforts to portray itself as a bona fide regional player in global affairs.
3. Burma’s foreign minister has confirmed he will attend the November ASEAN summit. This makes it unlikely that ASEAN leaders will go so far as to suspend Burma from the group. [I thought the announcement had to do only with Singapore, as host, having issued a formal invitation to Burma/Myanmar’s Prime Minister.]
4. The leverage that China and India ostensibly have over Burma/Myanmar may be overstated. China and India need Burma/Myanmar for strategic reasons as well as for energy resources and other trade and investment opportunities. China needs an outlet to the Indian Ocean, which Burma/Myanmar affords. India needs Burma/Myanmar’s help in dealing with insurgents in its northeast region.

ASEAN as Regional Integrator

Summary: Although ASEAN’s external relations have evolved as the global system has changed, it still does not possess the political cohesion or degree of economic integration to serve as an effective driving force for Asia-wide regional integration – particularly in view of the economic power and global stature enjoyed neighbors such as China, Japan, and South Korea. However, there is no other alternative.

Discussion Points:

1. ASEAN's external relations in the post-Cold War period have been broad but not deep. The ASEAN Regional Forum enabled outreach and dialogue on regional affairs with major non-Asian powers like the United States. The ASEAN Plus Three (APT) process reflected a desire to incorporate China, Japan, and South Korea into regional discussions in the light of their economic and political influence. The East Asian Summit (EAS), in turn, evolved from the work of the APT.
2. The uncertainty about which countries should be included in the "ASEAN plus" arrangements and the EAS suggests that ASEAN still lacks clarity about regional integration, as well as the institutional strength to serve as the driver.
3. In order for ASEAN to serve as something more than the default hub for dialogue and become a driver for regional integration, it must achieve deeper region-wide economic integration, greater political cohesion, and more imaginative leadership. For the time being, though, ASEAN continues to play a useful role as a facilitator of discussions between and among Southeast Asian nations. Modest short-term goals are not necessarily bad.

SESSION 2: The Economic Dimension of U.S.-ASEAN Relations

Substantive Focus:

- ASEAN-U.S. Recent Trade and Investment Patterns
- Barriers to ASEAN Competitiveness
- ASEAN FTAs
- Future Prospects for ASEAN Economies

Speakers:

- **Dr. Michael Plummer**, Professor of Economics, SAIS Bologna Center, Johns Hopkins University
- **Dr. Rahul Sen**, Fellow, ISEAS

Summary: Ideally, ASEAN economic integration should proceed concurrently with the development of fuller U.S.-ASEAN economic relations. The latter will not take off until and unless ASEAN nations do more to improve competitiveness and reform and integrate their economies.

Discussion Points:

1. The United States continues to be the key export market for ASEAN, but its importance has been falling as China's has been increasing. The United States also has been the premier single-country investor in the region, although about 50 percent of this total goes to Singapore. ASEAN needs to do more to increase its attractiveness to multinational corporations by, among other things, improving best practices.
2. More than tariffs, ASEAN's non-tariff barriers (NTBs) are the real impediments to trade and investment integration.
3. ASEAN nations must not allow themselves to be locked in as mid-market suppliers of electronics to China. To improve competitiveness, they must expand into knowledge-based industries, which will require investment in the development of a more skilled workforce.

4. A single market or an ASEAN Economic Community (AEC) would create a strong incentive for U.S. multinational corporations to invest in ASEAN nations which, in turn, would boost overall U.S.-ASEAN economic activity. The forthcoming AEC blueprint should include some kind of enforcement mechanism to ensure that ASEAN nations follow through with economic reforms aimed at improving competitiveness and enhancing the attractiveness of the single market to foreign investors. To ensure the success of the AEC, ASEAN nations also must align their commercial policies into a customs union and accord national treatment to all foreign direct investment, among other reforms.
5. Progress on the AEC-related reforms is critical for ASEAN to play the driver's role in regional economic integration.
6. The economic effects of a U.S.-ASEAN FTA as envisioned in the Enterprise for ASEAN Initiative (EAI) would be strongly positive. The EAI also has political benefits. It signals U.S. support for ASEAN as a regional economic entity while Washington concurrently negotiates bilateral FTAs.

LUNCHEON DISCUSSION

Speaker:

- **U.S. Government Official** – Off the Record

Discussion Points:

U.S.-ASEAN Economic Relations

1. The more economically integrated ASEAN becomes, the greater the potential for robust U.S. economic relations with the region.
2. Expanding U.S.-ASEAN relations is not just about liberalizing trade. ASEAN nations must improve their attitude about and environment for foreign direct investment. U.S. business needs to identify as “ASEAN business environment.”(?)

Ambassador for ASEAN Affairs

1. The creation of this new position represents Washington's view that U.S.-ASEAN relations are growing and will become increasingly important.
2. The position initially will be based in Washington, D.C. It is similar in status and function to the APEC Senior Official's position, which also enjoys the rank of Ambassador.

Treaty of Amity and Cooperation in Southeast Asia (TAC)

1. The administration has yet to agree internally about whether the United States should sign the TAC owing to concerns that certain provisions may limit U.S. action.
2. The TAC is being examined independently of the question of whether the United States should press for inclusion in the East Asian Summit (EAS) – even though the TAC is considered a precondition for joining EAS.
3. The U.S. government is studying carefully regional architectures in Asia and is in no hurry to advocate one over another. Washington still regards APEC as the leading Asian regional forum for policy discussions.

Burma/Myanmar Sanctions

1. If ASEAN leaders receive Burmese officials favorably at the November ASEAN summit, this effectively will diminish ASEAN in the eyes of the global community.
2. Regarding the targeting of Burmese financial assets, the Burmese case does not lend itself readily to a Banco Delta Asia (North Korean) approach. Although the U.S. government suspects that Burmese officials keep their money in Singapore banks, it is difficult to pin down which banks are servicing illicit transactions. Revenues earned from oil and natural gas sales are not exactly illegal. But Washington welcomes the fact that some Singapore banks are acting independently to freeze Burmese accounts.

Thai Elections

1. Washington welcomes the Thai government's plan to hold general elections in mid-December. But if the elections do not appear to be free and fair or are conducted in a manner that otherwise impedes the return of a democratically elected government, that will have an adverse impact on the future of U.S.-Thai relations.

SESSION 3: The Politico-Security Dimension of U.S.-ASEAN Relations

Substantive Focus:

- Terrorism
- Maritime Security
- China's rising profile in Southeast Asia and the implications for U.S.-ASEAN relations
- Internal instabilities/insurgencies

Speakers:

- **Dr. Ian Storey**, Fellow, ISEAS
- **Mr. Bronson Percival**, Senior Advisor, CNA Corporation

Summary: Although the Iraq War has made the United States very unpopular with the people of Southeast Asia, Washington has enjoyed very good relations with the governments of Southeast Asia with respect to counter-terrorism. Piracy is down considerably in the Malacca Strait owing partly to cooperative patrols by the littoral states. The United States does not face a zero-sum conflict with China in Southeast Asia. Rather, Sino-Japanese competition for influence in Southeast Asia is likely to be more significant than a potential U.S.-China rivalry. Progress at resolving separatist violence in Southeast Asia is mixed: Aceh in Indonesia is the good-news story, while negotiations over the southern Philippines have stalled, and the situation in southern Thailand continues to deteriorate.

Discussion Points:

Counter-Terrorism

1. Although the Iraq War has made the United States very unpopular with the people of Southeast Asia, Washington has enjoyed very good relations with the governments of Southeast Asia with respect to counter-terrorism. This is because the United States

basically has pursued a strategy of helping the Southeast Asian nations to help themselves in combating domestic terrorist activities.

Maritime Security

1. Controversy surrounding the testimony of Adm. Thomas Fargo, former Commander of Pacific Command, before the House Armed Services Committee in May 2004 galvanized Indonesia, Singapore and Malaysia to improve security in the Malacca Strait. The littoral states have engaged in coordinated naval patrols and combined air patrols. This initiative, along with the bolstering of naval patrols in Indonesian waters by the Indonesian navy, has resulted in a 50 percent reduction in reported piracy attacks during 2003-2006. While the littoral states have rejected an overt security role in the Strait for external powers as an infringement of their sovereignty they have welcomed capacity building support.
2. China's interest in security through the Malacca Strait relates to its Taiwan contingency. The PLA, in turn, has used the vulnerability of the Strait to lobby for more budgetary resources.
3. The tri-border sea between the Southern Philippines, Indonesia, and Malaysia remains an ungoverned space and a haven for transnational criminals, including terrorists. The three nations concerned lack resources and capabilities to police this area as effectively as the Malacca Strait.
4. Maritime security increasingly will require collaboration between police forces, naval or coast guard forces, land-based armed forces, and air forces. This will be greatly complicated by the competition between the various military/police agencies and the tendency toward stove-piping.

China in Southeast Asia

1. In recent years, China has waged a "charm offensive" in Southeast Asia, portraying itself as the "friendly elephant" in the neighborhood. However, China has hardly won over the region. It looms over and dominates economically mainland Southeast Asia (i.e., Cambodia, Laos, Burma/Myanmar, Thailand, and Vietnam). But China never has enjoyed significant influence in democratic maritime Southeast Asia (i.e., Singapore, Malaysia, Indonesia, and the Philippines), although 80 percent of trade between China and Southeast Asia is with the maritime countries.
2. The ASEAN-China FTA is so riddled with carve-outs that it serves more as a political symbol than an agreement that will have significant economic impact.
3. China does not possess notable "soft power" in Asia; it is not popular with Asian Muslims and has played no meaningful role in disaster relief or counter-terrorism.
4. The Sino-Japanese rivalry in Southeast Asia for influence is likely to be more significant than a U.S.-China rivalry. Japan fears that the United States will work more closely with China on ASEAN matters.

Internal Insurgencies

1. The comprehensive peace accord negotiated between the GAM rebels and the Indonesian government has held since August 2005. Third-party mediation proved to be an important factor in ending the armed conflict. Aceh's opening to outside relief workers, the U.S. navy, and other outside observers following the tsunami had the effect of strengthening the peace because renegade rebels "had no place to hide."

2. Insurgencies in the Southern Philippines and Southern Thailand have become even worse. In the case of Thailand, the longer the violence continues, the greater the risk that external groups, such as Al Qaeda or Jemaah Islamiyah, will graft themselves on to the situation .

SESSION 4: U.S.-ASEAN Relations: The Way Ahead

Substantive Focus:

- Open Discussion

Speaker:

- **Dr. Mark Borthwick**, Director, U.S. Asia Pacific Council, East-West Center

Summary: In the past 20 years, the U.S. role in the world has changed significantly, which will affect its relations with ASEAN in the future. In particular, Washington faces rising anti-trade sentiments at the grassroots which likely will doom further movement on the WTO round as well as specific FTAs under negotiation in Asia. In addition, the U.S. has lost control of its currency to a cartel of central banks led by China – and no longer possesses the economic power to convene “Plaza Accord-type” negotiations aimed at revaluing currencies. The resulting systemic imbalance creates a very fragile situation with potentially disruptive ramifications. This suggests that the vehicles for continued U.S. engagement with ASEAN may be less composed of economic elements.

Discussion Points:

Economic Imbalance and Exchange Rates

1. Trade surpluses in China and ASEAN are not necessarily a sign of strength. Domestic investment is down, which creates a savings glut. Countries in Asia therefore are investing their surpluses in U.S. securities because of their unwillingness to tackle the causes of low domestic investment. The ASEAN countries need domestic propellers of growth instead of relying on external demand for growth. ASEAN also needs to further develop capital markets and liberalize financial systems.
2. To move out of the exchange rate imbalance, some sort of cooperative arrangement is needed. The global system faces a trade-off between managed exchange rates and managed trade.
3. Although the U.S. Treasury criticizes the Asian Development Bank (ADB) as being too activist, the ADB’s emphasis on best practices in bank regulation, risk assessment and regulatory oversight are exactly what should be encouraged in ASEAN to help rectify the economic imbalance.

Future of FTAs

1. Bilateral FTAs will have to be sold on their political value, because the economic benefits are not that significant. The size of the FTA does not necessarily sell it on

Capitol Hill owing to the growing anti-trade sentiment at the grassroots and the influence of protectionist sectors.

2. There will be no trade agenda in Congress for the next six to eight years. The Democratic Party, which leans toward protectionism, likely will control Congress, plus a significant portion of the Republican Party no longer embraces free trade. Moreover, the independent “swing” voters increasingly have abandoned the pro-trade camp. In order to alter the tenor of the trade debate in a positive way, one must change the way society perceives the allocation of trade-related benefits.
3. The U.S.-Singapore FTA should be promoted as the model for future Asian FTAs, rather than allowing the lesser standards of China’s FTAs to be accepted as the norm.