



## **Re-Engaging with Southeast Asia** by Ellen Frost

ASEAN members believe that the United States no longer cares about Southeast Asia and are calling on Washington to “re-engage.” Thus far, Washington has been too preoccupied with anti-terrorism and too distracted by Iraq to pay attention to the region. Given budget limitations, what can the U.S. do to signal its interest in the region and provide a constructive counterweight to China’s growing influence?

ASEAN members have a bitter memory of U.S. behavior during the devastating financial crisis of 1997-98. They frequently refer to Washington’s decision not to come to the aid of Thailand (or any other ASEAN member) only three and a half years after helping Mexico overcome a similar crisis. They also believe that Washington backed what they saw as unduly harsh conditions dictated by the IMF. Their conclusion was that they could not rely on help from Washington.

The crisis presented China with a huge and unexpected diplomatic opportunity. Since then, China has become an active player in the region in all significant areas, including trade, aid, finance, culture, tourism, and security. Beijing’s vehicle of choice is ASEAN Plus Three (A+3), of which the U.S. is not a member. APEC has lost momentum.

Recently, the Office of the U.S. Trade Representative expressed willingness to negotiate a U.S.-ASEAN Trade and Investment Framework Agreement (TIFA). This is a welcome step. On the whole, however, the U.S. has been focusing so heavily on anti-terrorism initiatives that Southeast Asians complain that Washington is not paying attention to their other needs. President Bush’s 2003 visit and subsequent public rhetoric left an impression of tin-ear moralizing (“you’re either for us or against us”). By contrast, China has projected a sympathetic and listening attitude.

The balance of influence between China and the U.S. is not zero-sum, and Beijing’s initiatives are generally constructive. Initially, China tried to persuade Southeast Asians to give up their military alliances with the U.S. Moreover, ASEAN observers report that in the A+3 context Chinese diplomats seek to marginalize Japan, America’s strong ally. ASEAN has embraced a hedging strategy: its members strongly support engagement with China, but they want the U.S. to become more closely involved.

The U.S. has extensive trade and investment ties with Southeast Asian countries and maintains a strong military presence. It is at the collective (ASEAN) level where U.S. neglect is most keenly felt. Four actions would go a long way to rectify this perception:

- (1) signing ASEAN’s Treaty of Amity and Cooperation;
- (2) participating in a US-ASEAN summit;
- (3) creating the position of US Ambassador to ASEAN, and;

(4) lending more support to regional financial initiatives within the Asian Development Bank (ADB).

Together, these actions would symbolize U.S. re-engagement and have a strong bearing on the geopolitics of the region.

### *Signing the Treaty of Amity and Cooperation (TAC)*

The TAC confers a kind of honorary associate membership in an emerging Asian community. Prior to the East Asian Summit (EAS) last December, ASEAN members strongly disagreed about whom to invite. China and Malaysia favored restricting the meeting to A+3, while Japan, Australia, Singapore, and Indonesia favored broader representation. The compromise was a set of three criteria: invitees must (1) be “dialogue partners” of ASEAN, (2) have significant economic ties with ASEAN, and (3) be signatories of the TAC. Australia, New Zealand, and India met all three criteria and were included; the U.S. only met the first two.

The TAC is simply another version of the “5 principles of peaceful coexistence” – mutual respect, non-interference, peaceful settlement of disputes, and so on. Its language is vague and it is not enforceable. The TAC is ASEAN’s signature document. To member states it symbolizes national autonomy, regional stability, and the opportunity to pursue economic growth. The United States has not signed it because: (1) “we shouldn’t limit our freedom of action in any way;” (2) “we take treaties seriously but the TAC is a meaningless and we don’t sign things like this;” and (3) “Congress may not like it, and we have bigger fish to fry, notably restoring military ties with Indonesia.”

The first objection, that the TAC might limit U.S. freedom of action, lacks substance. Australia worried that it could not sign the TAC and maintain its security obligations to the U.S. But ASEAN governments apparently convinced Canberra that the contradiction was more apparent than real. Australia signed and joined the EAS. I strongly doubt that the TAC’s vague and watery language would limit U.S. freedom of action. Even if it did, the limits would be intangible and non-enforceable. Many security experts familiar with Southeast Asia believe that the larger political and strategic political gains associated with signing the TAC outweigh any conceivable cost.

With respect to the non-enforceable nature of the TAC, ASEAN leaders point out that there has been no armed conflict between ASEAN members since ASEAN was established in 1967. Thus, seemingly endless dialogue, unproductive as it may seem to Americans, has nurtured durable norms of peaceful behavior and rising levels of trust.

As for Congress, restoring military ties with Indonesia is behind us. Sen. Lugar and others have explicitly recognized the need to reverse the post-Cold War strategic neglect. There

is every reason to think that members of the Senate could be persuaded either to ratify the TAC or, as a fallback, to approve or acquiesce in an executive agreement pledging conformity to the substance of the TAC. That dialogue should begin now.

Signing the TAC would formally satisfy the criteria established last year for participation in the first EAS. Doing so should garner an invitation to attend the second – or at least to acquire some sort of official standing in the EAS process. As one U.S. Southeast Asia expert points out, “American absence [from the EAS] sends the wrong signal, particularly when compared with the multiple engagement activities China has begun with the region in all significant dimensions – economic, political, and security.”

#### *A U.S.-ASEAN Summit*

Washington has resisted a U.S.-ASEAN summit. First, it is difficult to get any president to travel to Asia just to attend what is widely perceived as a “talk shop.” Only a visible “deliverable” or other high-profile events (e.g., visits to other countries or to U.S. troops) can overcome it. Second, some fear that a U.S.-ASEAN summit would lend legitimacy to the government of Myanmar (Burma).

ASEAN leaders are also frustrated with Myanmar’s behavior. ASEAN parliamentarians have called for the release of Aung San Suu Kyi. ASEAN leaders persuaded the regime to pass up its turn as chair of ASEAN. Indonesia’s president traveled to Myanmar on behalf of ASEAN to press quietly for an end to repression and to offer support for a democratic transition. But ASEAN governments continue to prefer engagement over isolation. In their eyes (and mine), to oppose a U.S.-ASEAN summit because of Myanmar is a case of the tail wagging the dog.

#### *Ambassador to ASEAN*

The U.S. has ambassadors to NATO, the European Union, the Organization of American States, and several other regional and global organizations. Sen. Lugar has introduced a bill proposing the creation of the post of ambassador to ASEAN. Implementing such a suggestion would create enormous goodwill in Southeast Asia. There would be no shortage of work: ASEAN houses a wide range of economic, political, security, and social initiatives of interest to the U.S., and State Department officials already have their hands full coping with individual countries.

#### *Support for Asian Financial Initiatives in the ADB*

In the wake of the financial crisis, A+3 officials negotiated a web of bilateral currency swap agreements and began discussing other measures to improve financial cooperation. Current initiatives include consolidating the 16 swap agreements into a single framework and earmarking funds to support it, creating an Asian bond market, and establishing an Asian Currency Unit (ACU), a reference unit of measurement consisting of a basket of Asian currencies.

In the regional competition for influence, finance is the area where Japan has a clear edge over China. In all other respects, Japan’s influence in the region adds up to less than the sum of its assets. During the financial crisis the U.S. actively worked to defeat Japan’s proposal for an Asian

Monetary Fund, but none of the proposals currently under discussion would undermine the IMF, create a yen bloc, or do anything else that is contrary to U.S. interests. As our close allies, the Japanese hope that we will not shoot them down again in the one area where they can exercise genuine leadership. Moreover, regional finance is the one area where Chinese and Japanese officials work together.

At a minimum, what the U.S. should *not* do is pour too much cold water on regional financial initiatives promoted by and within the framework of the ADB. This would revive sour memories of U.S. behavior during the financial crisis. More important, U.S. opposition to developing these proposals with ADB support would merely shift the discussion to A+3, where the U.S. is not represented. We should not have to rely on others. The U.S. should ask questions in the ADB, but its tone should be basically supportive.

#### Recommendations

With its strategic location, a population of more than half a billion people, and a combined GDP of more than half a trillion dollars, Southeast Asia deserves a higher level of U.S. attention and a more balanced mixture of US policy priorities. Accordingly –

- At this year’s APEC summit meeting, on the occasion of a planned meeting with the seven ASEAN members who are also members of APEC, President Bush should signal broad support for ASEAN’s development and integration goals and minimize anti-terrorist rhetoric. Specifically, he should announce support for U.S. signature of the TAC and the creation of the position of ambassador to ASEAN. These would be the U.S. “deliverables.”
- ASEAN’s minimum “deliverable” should be an invitation to the U.S. to join or acquire some kind of official standing in the EAS process. In addition, the U.S. should ask ASEAN for more substantial “deliverables,” to be selected through interagency deliberation in Washington.
- On that same occasion President Bush and ASEAN leaders should jointly announce a U.S.-ASEAN summit in 2007.
- In the ADB, U.S. representatives should not hesitate to raise questions about various Asian financial initiatives, but they should signal basic support for them and avoid criticizing the ADB’s role. In the meantime, the Treasury Department should keep members of Congress generally informed about Asian financial initiatives and explain their rationale.
- The Bush administration should revive high-level U.S. participation in APEC and ensure that budgetary resources correspond to a renewed commitment. ASEAN should be asked to follow suit. We should coordinate closely with Japan, which now views APEC more favorably than it did five years ago; China, whose support for meaningful APEC achievements is essential; and Australia, APEC’s active co-founder and 2007 chair.

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