

U.S.-ASEAN Relations:  
**Tragedy and Uncertainty for Some,  
Potential Benefits for Others**

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Violence continued to wrack Indonesia this quarter. Aside from the stepped up clashes in Aceh, West Timor exploded in rage against the United Nations in early September. Led by pro-Indonesian militias exiled from East Timor and currently living in and around the refugee camps of West Timor, angry mobs burned down the offices of the High Commissioner of Refugees and brutally murdered three UN staff workers, including one American. U.S. Defense Secretary William Cohen recently visited the region, shoring up U.S. partnerships and alliances while reiterating to the Indonesians that they must bring the perpetrators of the UN murders to justice and disarm the remaining militias or risk international sanction. The annual Cooperation Afloat Readiness and Training (CARAT) military exercises began in the Philippines on June 14, 2000 and ended in Singapore at the end of September after phases in Thailand, Malaysia, Indonesia, and Brunei. A U.S.-Vietnam Bilateral Trade Agreement was concluded after five years in negotiations. If passed by the U.S. Congress, it would drastically liberalize the Vietnamese market, increase the transparency of the business environment within Vietnam, and provide legal protections to U.S. businesses.

**U.S. Bilateral Exercises throughout Southeast Asia – CARAT 2000**

The annual Cooperation Afloat Readiness and Training military exercises began in the Philippines on June 14, 2000 and ended in Singapore at the end of September after phases in Thailand, Malaysia, Indonesia, and Brunei. CARAT 2000 brings together U.S. naval units, representing all aspects necessary to conduct navy and marine operations, with their regional counterparts.

The organizer of CARAT 2000, Rear Admiral Stephen Loeffler stated that “these exercises are beneficial for all participants because they promote strategic understanding of the challenges we all face in the Asia-Pacific and particularly here in Southeast Asia.” The exercises were designed to promote interoperability between the U.S. and various Southeast Asian forces in the areas of operational planning, command and control, and tactics. This is the first time in four years that a phase of CARAT has taken place in the Philippines. The passage of the U.S.-Philippines Visiting Forces Agreement in May 1999 paved the way for the resumption of this exercise.

Participating in the exercises were Navy frigates, amphibious ships, a salvage unit, SEALs, Seabees, and Coast Guard units along with 1,800 sailors and other military personnel including a number of U.S. Coast guardsmen. U.S. military doctors, dentists, veterinarians, and engineers also participated in civic action projects.

The CARAT exercises were held up as a sign by the Indonesian Navy that the U.S.-Indonesian military-to-military relationship, virtually halted since last year, could be revitalized. At the start of the CARAT Indonesia exercises on July 20, 2000, Admiral Achmad Sutjipto, chief of staff of the Indonesian Navy, remarked that through CARAT, “the long enjoyed good relationship between the U.S. and Indonesia will serve in enhancing not only the relationship between the militaries but between our countries as well.”

### **Atrocities against the UN in West Timor**

Unfortunately, shortly after the conclusion of the Indonesian CARAT exercises in mid-August, the United Nations was forced to suspend its operations in West Timor because of an attack on its staff and the general perception that the Indonesian military (TNI) was doing little to reign in the militias operating out of the West Timor refugee camps. After repeated promises by Jakarta that militias would be disarmed, the UN resumed its aid programs on August 29. Within a week, three UN workers, including an American, were brutally murdered and the office of the UN High Commissioner for Refugees in West Timor was burned to the ground. All other UN staff were airlifted to the East Timorese capital of Dili. The tragedy occurred in early September, as the UN was opening its Millennium Summit in New York. This prompted UN Secretary General Kofi Annan to introduce the proceedings with a moment of silence, thus further shining an international spotlight on President Wahid’s inability to bring the situation under control.

International condemnation over the killings came from all quarters and left the embattled government of President Wahid circling the wagons. Indonesian Minister of Defense Mahfud even tried shifting the blame for the murders away from the militias and the Indonesian military and onto the U.S. by suggesting that the U.S. arms embargo against Indonesia had resulted in the military being unable to carry out its responsibilities. By September 15, 2000, Indonesia and the United Nations signed an agreement to work together to resolve the fate of the remaining 120,000 East Timorese refugees living in camps along the West Timor border, in the hopes that such action would lead to the disbanding and disbursal of the militias. The agreement purportedly had no deadline for the resettlement and little reference to the militias that operate out of the refugee camps. Despite the compromises, Indonesia rejected the final proposal by the UN Security Council on September 19, 2000. Senior Indonesian officials stated that a UN mission would convey to the people of Indonesia “that the United Nations does not trust the Indonesian government.”

In private, Indonesian officials are concerned that the TNI is incapable of relocating refugees against their desire and will refuse to take action against the highly motivated

and well-armed militias. Some sources have even expressed fear that forcible relocation could lead to civil war on the island. Meanwhile, the suffering in the refugee camps and across East Timor continues. The UN High Commissioner for Refugees said that no UN workers would return to West Timor until the militias had been contained and that the Indonesian government must “send soldiers... strengthen the police...arrest the people who caused all these attacks and killings [and bring them] to trial.”

During his visit to Jakarta in mid-September, Defense Secretary Cohen urged the Indonesian government to take firmer actions regarding the September 6 killings. In a press conference following meetings with President Wahid, Cohen warned that if the Indonesian government does not move quickly and forcefully to restore security and disarm the militias, there will be “consequences for Jakarta’s relations with the international community and it could, in fact, jeopardize continued economic assistance to Indonesia.”

***Policy Implications.*** The murders of the three UN workers on September 6 by a rampaging mob in West Timor and the seeming inability of the Indonesian government to reign in these elements has left the international community wondering if President Wahid will be able to save his country from collapse. His defense establishment is in disarray and, as September draws to a close, seems intent on alienating the United States by floating rumors that U.S. Marines have crossed into West Timor illegally. Despite such absurdities, the U.S. recognizes that its best chance of helping to stabilize Indonesia is to assist in the professionalization of the Indonesian military. As such, the U.S. engaged the Indonesians in the CARAT 2000 exercises, sent Secretary Cohen to visit Wahid and other top officials, and pleaded with the Indonesians to show good faith in bringing the murderers to justice. But if none of this works, the U.S. is left with a dilemma. When vital interests are in the balance, can Washington stand by and watch the fourth most populous country fracture? On the other hand, is the Clinton administration prepared to do any more than the Wahid is willing to let it do?

### **Continued Unrest in the Philippines**

On August 28, a young American, Jeffrey Schilling, visited one of the Abu Sayyaf rebel camps on Jolo Island in the southern Philippines and was subsequently taken hostage. Schilling added one more to the 18 hostages already being held. A group of 21 hostages taken by Abu Sayaff in late April were all released at the end of August, the last four gaining their freedom after Libya agreed to provide \$10 million of the \$15 million ransom that was paid. Some accounts have suggested that the capture of the American signaled a power struggle within Abu Sayyaf. The cell that seized Schilling is a more violent faction that calls for a holy war in order to achieve independence and is less interested in monetary demands than others within the organization. Credence was given to this analysis when a spokesman for Abu Sayaff stated that the American’s release was contingent on the release from jail of Ramzi Yousef, the World Trade Center bomber, as well as two other international terrorists. No mention of money was made in these early declarations. Immediately following the demands, the U.S. Embassy in Manila issued a

statement that “We will not pay ransom, change policies, release prisoners, or make any concessions that reward hostage-taking.”

Within weeks of Schilling’s abduction, Secretary Cohen visited Manila, where he made it clear that the U.S. is looking to the Philippines to take the lead in dealing with the terrorists. When asked if the U.S. supports a military option to the hostage crisis, Cohen replied that “any decision made by the Filipino government certainly is a matter for the government to decide.” However, the Philippine Secretary of National Defense, Orlando Mercado, stated that “there are discussions between our military establishments and military forces... on this specific issues of the American hostage...” Shortly thereafter, the Philippine government initiated military action against the Abu Sayyaf, which, at this writing, has been less than conclusive.

### **The Administration Finally Signs with Vietnam but the Congress Waits\*\***

On July 13, the United States and Vietnam signed a bilateral trade agreement that commits Hanoi to a major shift in economic policies in exchange for vastly improved access to the U.S. market. It is hoped that such economic liberalization will also hasten political liberalization by solidifying the rule of law and giving ordinary Vietnamese better access to the outside world. For the Vietnamese, the bilateral agreement promises an influx of necessary foreign direct investment. It covers rules on bank branches, customs fees, publication of laws and regulations, and tariffs on a significant number of goods, services, and investment protections.

The accord promises to increase trade and investment between the two countries, which have stagnated in recent years as Vietnam suffered the effects of the region’s financial crisis and liberalization efforts lost momentum. But the accord will also introduce Vietnam to the rigors required for membership in the World Trade Organization (WTO), and will also impact regional economic investment patterns. Korean textile firms, for example, are likely to increase their presence to exploit wider access to the U.S. market. Foreign investors also may prefer Vietnam to China or India to gain access to the ASEAN market, which has pledged to reduce tariff and non-tariff barriers within the ten country market by 2006.

The deal must still be ratified by both governments, and there are lingering concerns Vietnam will foot-drag when it comes to actually implementing the reforms. The U.S. Congress is not expected to vote on extending conditional Normal Trade Relations (NTR) to Vietnam until sometime next year, given the election year politicking and the vocal displeasure of U.S. labor unions (which are disturbed by the failure to address Vietnamese labor conditions within the agreement). The U.S. denied NTR treatment to communist parts of Vietnam in 1951 and then, upon the North Vietnamese victory over the South, to the whole country in 1975. As one of only six countries that do not enjoy NTR with the U.S. (along with Laos, Cuba, North Korea, Afghanistan, and Serbia), Vietnam has faced tariff levels averaging 40 percent, more than ten times the tariff levels for countries with NTR. Vietnam’s garment and textile sector is poised to gain the most from NTR, and the U.S. may overtake Europe as Vietnam’s biggest textile market in the

process. Importantly, Vietnam's largest network of textile and garment factories is state-owned, and increase profitability in this sector could help speed up privatization and restructuring of state-owned enterprises, which comprise a huge 30 percent of gross domestic product (GDP).

Vietnam's total exports to the U.S. are expected to rise to \$750 million annually from about \$500 million in 1999, according to the World Bank; this is in contrast to Vietnam's exports of \$1.8 billion to Japan, its largest trading partner. Meanwhile, U.S. exports to Vietnam are likely to increase to \$500 million, compared to \$300 million in 1999, or roughly 1/5 of the amount exported by the U.S. to South Vietnam in 1970. The largest gain, however, may come in U.S. investment, which currently accounts for only three percent of Vietnam's total foreign investment, with Singapore, Taiwan, Japan, South Korea, and Hong Kong all ranking higher.

The 100-page agreement covers a range of measures, large and small, designed to lure foreign investors. For example, over a phased period, there will be automatic licenses for many export businesses, rules on joint ventures in advertising and tourism, liberalization of the operations of foreign banks, and elimination of discriminatory pricing in key sectors. "The accord sets a course for greater openness to the outside world, promoting economic reform and market principles, and transparency in law and regulatory policy," testified U.S. Trade Representative Charlene Barshefsky before a mid-September hearing of two House committees. "The agreement will...contribute to a broader process of normalization with Vietnam, with both great symbolic and strategic importance for the United States," she argued.

The challenges of implementing the pact- the section on intellectual property rights (IPR) is 25 pages alone- are not underestimated by either side. On September 22, U.S. Under Secretary of Commerce Todd Dickinson went to Hanoi and Ho Chi Minh city to discuss training and other aid to help officials in both countries recognize the need to work on effective implementation measures. A few days later, Deputy Assistant U.S. Trade Representative for Asia and the Pacific Joseph Damond also went to Vietnam to meet with government officials charged with implementing the accord, and pledges U.S. assistance and advice tailored to meet local needs. If the agreement passes the U.S. Congress, it would be a vital step in resuming full ties with Vietnam.

The historic signing of the trade agreement with Vietnam and Secretary Cohen's visit to the region and his promotion of future multilateral defense exercises both show that the U.S. recognizes that a stable, prosperous Southeast Asia will be one in which the U.S. is involved and committed but one in which the ASEAN nations themselves take responsibility for their own future.

*\*\*Economic analysis for U.S.-ASEAN relations was provided by Jane Skanderup, Assistant Director of Programs and Development of the Pacific Forum CSIS.*

## **Chronology of U.S.-ASEAN Relations July-September 2000**

**July 10, 2000:** The U.S. House of Representatives passes Resolution 322, which praises the efforts of Vietnamese Americans to improve human rights in Vietnam and recognizes the sacrifices made by members of South Vietnam's armed forces during the Vietnam War.

**July 11, 2000:** Thailand approves the purchase of 16 used FA-16 U.S. jet fighters at \$133 million for delivery within two years. The deal might still fall through due to inability to raise the necessary funds.

**July 13, 2000:** Philippines President Estrada signs the implementing rules and regulations for a new e-commerce law at a conference hosted by the Global Information Infrastructure Commission (GIIC), a project originating at the Washington-based Center for Strategic and International Studies.

**July 13, 2000:** U.S. and Vietnam sign a bilateral trade agreement under which the U.S. extends normal trading relations status to Vietnam, and Hanoi undertakes market-opening measures including lowering barriers and tariffs to U.S. goods and services.

**July 19, 2000:** U.S. Senate unanimously passes Senate Concurrent Resolution 113 in support of Burma's democracy movement and "implementation of the results of the free and fair elections of 1990."

**July 2000:** The U.S. Marines and the Royal Thai Marines engage in a joint live-fire exercise as part of the Combined Afloat Readiness and Training (CARAT) Exercise.

**July 20, 2000:** At the opening of CARAT exercise between the U.S. Navy and Marines and the Indonesian Navy, U.S. Ambassador to Indonesia, Robert Gelbard remarks, the "exercise is a statement of U.S. interest in a democracy in Indonesia and an expression of our support for the successful implementation of reforms within the Indonesian military."

**July 20, 2000:** Indonesian President Wahid signs Presidential Decision 96/2000 which limits foreign ownership to a 49% stake in companies in the telecommunications sector.

**July 24, 2000:** In a speech to the U.S. House of Representatives, Joseph Putts (R-PA) denounces the Indonesian military and calls for a halt in any military assistance.

**July 27, 2000:** Seventh ASEAN Regional Forum (ARF) meeting in Bangkok. Deputy Secretary Strobe Talbott states that the U.S. supports regional leaders strengthening their bilateral relationships, including relationships with the DPRK, and supports ARF proposal to convene an Experts Group to look at issues of organized crime within Southeast Asia.

**July 27, 2000:** The U.S.-ASEAN Business Council and the Philippine-U.S. Business Council present to President Estrada a detailed plan to increase trade and investment focusing on information technology, agriculture, and energy development and distribution.

**July 28, 2000:** A resolution to deny President Clinton's request for an extension of a Trade Act waiver for companies doing business with Vietnam is defeated in a 91-332 vote. The waiver gives U.S. exporters doing business in Vietnam access to trade financing programs.

**July 28, 2000:** Secretary of State Albright states that the "most significant area of U.S.-ASEAN security cooperation is... transnational issues... The United States has a history of close cooperation with most ASEAN countries on narcotics issues...[and we have increasingly made] progress in responding to the growing problem of trafficking in human beings."

**July 28, 2000:** Secretary Albright attends the ASEAN Post-Ministerial Conference in Bangkok. While in Bangkok, Albright held a series of bilateral meetings with a number of her counterparts, including the foreign ministers of North Korea and Indonesia.

**July 29, 2000:** Secretary Albright meets with Indonesian Foreign Minister Alwi Shihab to discuss the growing violence in West Timor and the Maluku.

**July 31, 2000:** NASA deploys a flying laboratory to collect atmospheric and geographic data from, among other sites, Cambodia's Angkor Wat Temple and sites within the Philippines.

**Aug. 3, 2000:** The UN sets up a resource center in the Maluku to support local and international efforts to address humanitarian needs caused by the religious violence.

**Aug. 4, 2000:** Leaders of two Philippine Muslim separatists organizations state in interviews that the CIA may be responsible for the bombing of the Philippine Embassy in Jakarta in July in an attempt to destabilize the oil producing members of ASEAN.

**Aug. 5, 2000:** The U.S. embassy in Jakarta experiences a bomb scare when a bottle filled with substances was found lying on Embassy grounds and a hostile threat against U.S. officials was phoned into the Jakarta police.

**Aug. 6, 2000:** U.S. State Department reaffirms its calls for Indonesia to eliminate graft in order to spur economic development.

**Aug. 7, 2000:** Malaysian Prime Minister Mahathir denounces "rich nations," including the United States, for opposing plans to create a legally-binding framework to address factors causing forest shrinkage and degradation.

**Aug. 8, 2000:** State Department issues a statement that the U.S. is outraged by the sentencing of Malaysian former Deputy Prime Minister Anwar Ibrahim to nine years in prison and Vice President Al Gore denounces the verdicts “politically motivated” and calls for an appeal.

**Aug. 11, 2000:** The International Monetary Fund, concerned over the arrest of the Indonesian central bank governor, states that “concerns about the independence of the legal process in this case, as well as the independence of the central bank, have further eroded market confidence... [and] confidence in the ability of the government to implement the economic program with consistency and good governance.”

**Aug. 12, 2000:** Indonesian President Wahid, in a joint statement with Venezuelan President Hugo Chavez, calls on the UN to lift its economic embargo against Iraq.

**Aug. 12, 2000:** The Clinton administration relaxes computer export controls on products destined for Vietnam.

**Aug. 12, 2000:** Secretary Albright warns Indonesian President Wahid against visiting Iraq. Wahid responds, “we are not a lackey of the U.S. [and] are free to go anywhere.”

**Aug. 17, 2000:** Representatives McKinney (D-GA), Smith (R-NJ), and Kucinich (D-Ohio) write a letter to Secretary Albright raising concern over the August 5 disappearance of Jafar Siddiq Hamzah, a U.S. resident and Acehnese human rights activist, stating, “we consider the safe return of Mr. Hamzah to be a litmus test of the Indonesian civilian government’s ability to exercise control of its military.” Hamzah’s murdered body is found later in the month.

**Aug. 17, 2000:** Singapore’s senior minister Lee Kuan Yew announces that the Asian Monetary Fund couldn’t exist independently of the International Monetary Fund.

**Aug. 17, 2000:** A UN spokesman announces that despite a request from the National Commission on Human Rights in Indonesia, the UN has no plan to send PeaceKeeping Forces to the Maluku Islands. Ethnic violence over the last year has left over 4,000 people dead.

**Aug. 18, 2000:** Vietnamese Policy Minister Le Minh Houg accuses “imperialist countries” of continuing to support the violent overthrow of his government and recounts the past effort by “American imperialism and its lackeys...who have not given up their evil intention of sabotaging the peaceful life of our people.”

**Aug. 21, 2000:** A *Singapore Straits Times* editorial on American’s high defense budgets and modest foreign aid program notes that “the U.S can either use its power and wealth to strengthen multilateral institutions, in which case it may never need to use its military power, or go it alone, in which case it may have to.”

**Aug. 21, 2000:** Indonesia removes the internet from its list of industries closed to foreign investment and opens telecommunication investment provided it is with a local partner.

**Aug. 21, 2000:** A Senior Clinton administration official states that it is unlikely Congress would approve the U.S.-Vietnam trade agreement this year, given concerns over Vietnam's "foot-dragging" on certain mandatory reforms.

**Aug. 21, 2000:** Indonesia announces it has used up a \$400 million U.S. Department of Agriculture export credit guarantee allocated in 1999/2000 and is hoping to get an extension worth up to \$100 million. The credit financed sales to Indonesia of soybeans, soybean meal, cotton, and wheat.

**Aug. 22, 2000:** Ambassador to Indonesia Gelbard refutes a *Jakarta Post* claim that the U.S supports the Papuan struggle for independence.

**Aug. 23, 2000:** Philippine President Estrada rejects U.S. offers to help solve the four month-old Abu Sayyaf hostage crisis stating, "we can solve this on our own."

**Aug. 23, 2000:** The United Nations halts all aid operations in West Timor after the severe beating of three refugee relief workers by pro-Indonesian militiamen.

**Aug. 26, 2000:** The U.S. government donates \$500,000 to fund polio immunizations in Aceh, West Papua, Maluku, and East Nusa Tenggara in Indonesia.

**Aug. 27, 2000:** Three of East Timor's independence leaders, including Xanana Gusmao, resign from the main independence group, the National Council of Timorese Resistance (CNRT).

**Aug. 28, 2000:** Indonesian Air Force Chief Marshal calls on the U.S. government to lift its embargo on the sale of military aircraft spare parts to Indonesia.

**Aug. 28, 2000:** A White House released a statement on U.S. contributions toward UN operations in East Timor states, in part, that "at this point, our rotational presence operations [in East Timor] are envisioned to continue through December 2000.... It is, however, our objective to reduce the rotational presence operations, as well as to re-deploy the U.S. Support Group East Timor as soon as circumstances permit."

**Aug. 29, 2000:** Abu Sayyaf kidnappers abduct Jeffrey Craig Edwards Schilling, an American. The Muslim rebels claim Schilling is a CIA operative and threaten to execute him.

**Aug. 29, 2000:** The UN High Commissioner for Refugees (UNHCR) announces the resumption of operations in West Timor after a six-day suspension following attacks on UN workers.

**Sept. 1, 2000:** President Clinton expresses his hope that relations between Malaysians and Americans will continue to expand, stating that “together, our nations face a variety of challenging regional and global issues,” as Malaysian Prime Minister Mahathir begins a three-day visit in the U.S.

**Sept. 5, 2000:** The State Department releases its 2000 Annual Report on International Religious Freedom in Malaysia, Vietnam, Burma, and Indonesia.

**Sept. 6, 2000:** Three UN staff members, including the American Carlos Caseras, are killed in an attack by hundreds of pro-Indonesian militia in West Timor.

**Sept. 8, 2000:** Singapore requests from the U.S. the sale of an estimated \$81 million of arms and military-related hardware and software.

**Sept. 12, 2000:** The U.S. urges Thailand to open a new round of bilateral talks on air traffic rights. The two countries signed a bilateral agreement on air rights in 1996 but Thailand has been accused of stalling liberalization to protect Thai Airways.

**Sept. 12, 2000:** State Department releases a joint statement by female Foreign Ministers, including Secretary Albright, condemning Myanmar authorities for their mistreatment of pro-Democracy activist Aung San Suu Kyi.

**Sept. 15, 2000:** Secretary of Defense Cohen visits the Philippines. Cohen states that the “successful Balikatan 2000 exercise is going to be followed by other exercises and we intend to expand the exercise schedule and ship visits... [in addition we] have a joint defense assessment team that is conducting a comprehensive examination of the Filipino defense capabilities and needs....”

**Sept. 15, 2000:** About 4,000 U.S. sailors and Marines deliver food aid to East Timor and assist in various construction projects throughout Dili as part of the CARAT 2000 exercises.

**Sept. 19, 2000:** Indonesia rejects a proposed plan for a UN mission to West Timor.

**Sept. 19, 2000:** Assistant State Secretary Stanley Roth describes the U.S.-Vietnam Bilateral Trade Agreement as a “milestone” and very much in the interests of the United States.

**Sept. 20, 2000:** USAID announces the provision of a \$14 million grant to Indonesia to fight HIV/AIDS.

**Sept. 20, 2000:** Secretary Cohen, in Bangkok, describes the Thai-U.S. relationship as a partnership and praises the Thailand’s role in peacekeeping throughout the region.

**Sept. 23, 2000:** The head of Indonesian security in East Nusa Tenggara and Bali questions the presence of 600 U.S. Marines on the border between East and West Timor and claims that U.S. Marines have trespassed into West Timor.

**Sept. 27, 2000:** Admiral Dennis Blair, commander-in-chief of the U.S. Pacific Command comments that the U.S. is concerned about rising terrorism in Southeast Asia.

