



U.S.-Southeast Asia Relations:  
**Summitry Hints of a More Activist Approach**

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As the new State Department team settled in, the U.S. attempted to maintain the heightened momentum in relations with Southeast Asia created by the tsunami relief effort earlier this year. In May, Deputy Secretary of State Robert Zoellick travelled to Singapore, Thailand, the Philippines, Vietnam, Indonesia, and Malaysia, using the trip to proclaim a new policy of greater attention to the region. President George Bush hosted Indonesian President Susilo Bambang Yudhoyono (SBY) in May and Vietnamese Prime Minister Phan Van Khai in June, inaugural visit to Washington for both leaders. Also in June, Defense Secretary Donald Rumsfeld attended the Shangri-La security meeting in Singapore and used the spotlight to criticize Beijing's presumed expansionist aims. Rumsfeld's choice of Singapore as a venue for the remarks, combined with Zoellick's listening tour, signaled growing interest in Washington in China's increasing influence in Southeast Asia.

Indonesia was of two minds about the U.S. A recent Pew survey reported improvement of the U.S. image there because of tsunami aid, but demonstrations in Jakarta over the *Newsweek* story on Islamic prisoner abuse at Guantanamo Bay showed fresh resentment. U.S. military cooperation moved incrementally toward a more regional approach, while several rounds of bilateral trade talks were held. Human rights remained central to U.S. policy in Burma as Washington prepared to renew sanctions and made clear its opposition to Rangoon's chairmanship of ASEAN in 2006.

**Marking China's rise in Southeast Asia**

U.S. analysts have noted China's growing political, economic, and security role in Southeast Asia over the past decade, but U.S. policymakers are only now pointing to it overtly. Prior to his departure for his Southeast Asia trip, Zoellick linked the visit to the need for Washington to take a more activist role in Southeast Asia in the face of growing Chinese influence. Paraphrased in the *Washington Post*, he emphasized that the U.S. was not competing with China in the region – a slogan that would become official boilerplate – but that China's growth challenged the U.S. to remain engaged in the region. As the former U.S. trade representative (USTR), Zoellick was no doubt mindful that ASEAN's

trade with China is expected to eclipse trade with the U.S. in 2005. This point was echoed at Senate Foreign Relations Committee hearings in June, on China's role in Asia.

Ironically, given Zoellick's implied concern about gains China has made in Southeast Asia, his itinerary reflected one of the drawbacks of U.S. policy in the region. It left out the three countries in which Chinese influence is strongest: Burma, Laos, and Cambodia. Sanctions against the Burmese government severely restrict U.S. activity in the country, which Beijing has capitalized on with large aid and military equipment packages. Although Congress finally granted normal trade relations to Laos late last year, U.S. aid levels there are easily overshadowed by Chinese contributions to build and upgrade Laotian infrastructure. Congress continues to restrict assistance to the Cambodian government. In this quarter, UN Secretary General Kofi Annan announced that the requirements for a tribunal to prosecute Khmer Rouge leaders had been met and that the trials would go forward. Despite the critical role the U.S. played in negotiating the formula for cooperation between Cambodian and international jurists in the tribunal, the U.S. now refuses to contribute funds for it. If U.S. policymakers give further attention to Beijing's influence in Southeast Asia, they will have to consider whether they are ceding these poorer countries to China.

Secretary Rumsfeld implicitly contributed to this new official wariness over China's role in Southeast Asia when he sharply criticized Beijing at the IISS Asia Security Conference in Singapore, The Shangri-La Dialogue. Although Rumsfeld did not dwell on China's role in the region, his remarks were not lost on Southeast Asian participants. He asked, "Since no nation threatens China, why these continuing large weapons purchases?" He also faulted Beijing for its political processes, in tacit comparison to the more democratic India, which the U.S. hopes will help keep China in check. Although Southeast Asian governments would probably not disagree with Rumsfeld on some of the facts, they are uneasy at the prospect of being asked to "choose" between Washington and Beijing at some point of political conflict between the two powers.

### **Creeping multilateralization in security**

After the U.S. was rebuffed on an overt Regional Maritime Security Initiative (RMSI) for the Strait of Malacca by the Southeast Asian littoral states last year, the Pentagon and the U.S. Pacific Command have been quietly pursuing bilateral maritime cooperation in the region. The highlight of this quarter was the joint naval exercise with Singapore in the South China Sea. Last year the U.S. also conducted bilateral maritime exercises with Malaysia. Throughout the year, the littoral states pursued *ad hoc* joint maritime exercises, which arguably would not have occurred without the catalyst of the ill-fated RMSI. At this stage, these activities are primarily confidence-building measures. Comprehensive exercises that bring the littoral states together with external powers at a future point are neither inevitable nor automatic, and will require greater political will all around.

In the meantime, the *Cobra Gold* exercises are gradually expanding and may offer the best basis for multilateral security cooperation in Southeast Asia. They were held in May in Chiang Mai, Thailand, far away from the troubled south where Bangkok has made clear that it wants no foreign troops. This year Japan was inducted as a partner, joining the U.S., Thailand, and Singapore, with several other nations observing the exercises.

### **Friction over Mindanao**

The U.S. continues to have a strong interest in negotiations between the Philippine government and the Moro Islamic Liberational Front (MILF) in the southern province of Mindanao, although Washington maintains an arms-length distance from the talks, which are facilitated by Malaysia. During his trip to the Philippines in May, Zoellick implied that progress on this front could result in an increase in U.S. aid levels for the Philippines – Washington has had a longstanding offer to help reintegrate MILF insurgents in Mindanao into civilian occupations.

However, management of this issue on a daily basis can be difficult because of Philippine perceptions that U.S. counterterrorism policy conflicts with the negotiations. In this quarter, the U.S. embassy had to address blowback from the Philippine press on the visits to the Philippines earlier this spring of U.S. Pacific Command Chief Adm. William Fallon and Assistant Secretary of State for East Asian and Pacific Affairs Christopher Hill. The embassy denied reports that Fallon and Hill had told the Philippine government that the U.S. wanted negotiations to stop because of links between the MILF and members of the Jemaah Islamiyah (JI) and the Abu Sayyaf. They also refuted reports that the U.S. would declare the MILF a terrorist group. The issue of linkage has been sensitive in the relationship, since the U.S. believes that personal links exist between MILF and JI members, an assertion that is supported by many nongovernmental analysts, although Washington does not allege that there are institutional ties between the groups.

In the meantime, in this quarter the Philippine government peace panel completed its “roadmap” for negotiations with the MILF. Jesus Dureza, the panel chair, noted that the plan used several reference points from peace agreements signed with the Moro National Liberation Front (MNLF) in 1976 and 1996. However, the MILF has long made clear that it would only accept a plan that granted the MILF greater autonomy than that given to the MNLF.

### **Symbolic gains, and hits**

The Indonesian and Vietnamese heads of state visit to Washington were each historic in their own way. SBY was the first Indonesian president to have been directly elected, and the summit implicitly celebrated that democratic milestone. Moreover, he was one of the last IMET graduates before Congress suspended the program in 1991, which gave particular resonance to the administration’s announcement during the visit that Indonesian participation in the IMET program would be restored. Meetings between heads of state are carefully scripted, with “deliverables” negotiated well ahead of time, and there were few surprises with the SBY visit. The underlying theme was good

governance and anti-corruption, opportune issues as the United States pledged \$647 million to Indonesia for tsunami relief, and with debt rescheduling announced in June. U.S. emphasis in this area is only likely to strengthen, since anti-corruption and related enforcement issues presently deny Indonesia access to Millennium Challenge Account funds and will impede any movement toward a bilateral free trade agreement in the future.

Although the U.S. does not play an explicit role in resolving the conflict in Aceh, it strongly supports peace negotiations. Talks between Jakarta and the separatist group, Free Aceh Movement (GAM), jumpstarted earlier in the year when the tsunami brought international attention to Aceh, are slowly progressing but have yet to produce a comprehensive agreement. Even if they do, expectations are tempered by the fact that the 2003 ceasefire and peace accords collapsed in the early stages of implementation.

Although the Bush-Yudhoyono meeting went smoothly, it was conducted against a backdrop of tension in Jakarta, ratcheted up by a *Newsweek* report on desecration of the Koran at the Guantanamo Bay detention site. The U.S. embassy was forced to close at the same time as the Bush-Yudhoyono meeting, and the juxtaposition was embarrassing for both countries. A month later, a Pew survey of the Muslim world reported encouraging, if qualified, progress. Anti-Americanism in Indonesia had abated modestly, although the U.S. remains “broadly disliked” in the Muslim world as a whole. Approval of the United States in Indonesia rose to 38 percent, more than double the figure in 2003 (15 percent). The gain was attributed to U.S. aid during the tsunami, which underscored what ASEAN ambassadors in Washington had been quietly telling U.S. policymakers since 2001: a single-minded focus on terrorism in policy toward Southeast Asia would reduce support for the U.S. in the region and impede counter-terrorism, while U.S. aid in non-sensitive areas would show benefits across the board. However, the tsunami relief effort was not sufficient to bring Indonesian approval of the U.S. anywhere near pre-2001 levels, when support was as high as 75 percent.

The White House meeting with Prime Minister Khai was even more significant, since it marked the first visit of a Vietnamese head of state to the U.S. in the post-1975 era. The visit also commemorated the 10<sup>th</sup> anniversary of the normalization of U.S.-Vietnamese relations. Khai brought a large entourage, which included Deputy Prime Minister Vu Khoan, 10 ministers and vice ministers, National Assembly leaders, and over 100 Vietnamese business figures. A variety of accords were signed, ranging from an agreement that is expected to lift the moratorium on adoption of Vietnamese orphans to counterterrorism cooperation and intelligence-sharing.

Two agreements in particular were significant. The first was the decision to include Vietnam in the IMET program, which marks a quiet watershed in the U.S.-Vietnamese security relationship. Hanoi had resisted joining the program because IMET participants are vetted for human rights abuse, and Vietnam already faces human rights linkage in other policy areas. A second significant agreement concerned accords signed on religious freedom, the first such agreement signed under the 1998 International Religious Freedom Act. It is reported to set out steps to improve religious freedom that may help Vietnam

avoid future sanctions under the Countries of Particular Concern framework. However, the Bush administration has not made the agreement public, causing human rights groups to charge that it is not sufficiently rigorous.

The Khai visit was successful at the official level, but it also served as a lightning rod for protests by hardline Vietnamese-U.S. groups at every stop on the delegation's itinerary. Moreover, it stiffened resolve on the part of Vietnam's critics in Congress. At hearings on human rights in Vietnam held the day before the Bush-Khai meeting, Rep. Chris Hill announced that he would re-introduce the Vietnam Human Rights Act, which seeks to restrict U.S. aid to Vietnam unless the State Department certifies that human rights have improved. Previous versions of the bill have passed in the House in 2001 and 2004, but were defeated in the Senate. In addition, Rep. Loretta Sanchez sought to remove Vietnam from the IMET funding bill, but was persuaded to drop her objection. It was an indication, however, that any move into new areas in U.S.-Vietnamese relations will likely meet with attempts in Congress to link expansion to human rights improvements.

### **Taking trade to the next level**

Although the symbolism of the Khai visit was important, Vietnam's primary policy goal in its relations with the United States at present is to win approval for entry into the World Trade Organization (WTO). At the White House, Bush emphasized U.S. support for Vietnam's accession in principle, but negotiations are still in train. A round of talks immediately preceded Khai's visit to Washington and made considerable progress. Licenses granted to U.S. businesses during the trip could help mitigate U.S. concerns about unfair advantage for Vietnamese state-owned enterprises over foreign companies. Nevertheless, the Vietnamese National Assembly must still review and amend dozens of laws to bring Vietnam into compliance with the WTO framework. Washington is likely to maintain pressure on Hanoi in this area to the end, because some policymakers regret having acceded to Beijing's entry into the WTO before reforms had been fully implemented. Once the Bush administration gives final agreement to Hanoi on WTO, Congress must grant Vietnam permanent normal trade relations (PNTR), which will meet with resistance from some human rights advocates.

The other salient issue in U.S. trade relations with Southeast Asia is the advancement of the U.S. Enterprise for ASEAN Initiative, a ladder of steps intended to promote free trade agreements with Southeast Asian governments. To date, the only FTA concluded has been with Singapore. Negotiations with Thailand are proving to be more complex than originally anticipated. U.S. demands include improvements in Thai labor and environmental protection laws, intellectual property rights protection, and greater access to the financial services sector for U.S. companies. Once negotiations are complete, Thailand could find the FTA to be a hard sell with Congress. *The Nation*, a leading Bangkok daily, has reported that no more than 70 members in both houses of Congress have said they would support a U.S.-Thai FTA.

The problematic FTA talks with Thailand raise questions whether the ASEAN Enterprise Initiative will sputter out before the end of the Bush administration. Informally, Malaysia is understood to be next in line after Thailand, but Kuala Lumpur is using Bangkok as a stalking horse, and a protracted or painful experience for Thailand will give Malaysia pause. A USTR official visiting Southeast Asia earlier this year publicly, if incongruently, suggested that Indonesia, the Philippines, and Cambodia are candidates for future FTAs with the U.S. The prospects for such expansion are unlikely for the foreseeable future. As noted above, Indonesian enforcement frameworks are not sufficiently strong, and Manila has shown no interest in entering into FTA discussions with the U.S. Cambodia is willing, but opposition to the expansion of relations in some quarters of Congress would quash that possibility in the near term. Beyond these specific limitations, opposition in Congress to the Central American Free Trade Agreement (CAFTA) is a sign that the legislature has soured on the prospect of additional FTAs.

### **Will ASEAN bend on Burma?**

ASEAN leaders have been increasingly candid in admitting problems with Burma since its admission to the Association in 1997. These disclosures are probably intended in part to assuage Western governments, which continue to press the military government in Rangoon to reconcile with the National League for Democracy and demand that ASEAN follow suit. An attempt in the Senate last year to impose sanctions on Thailand, to force Bangkok to lean more heavily on Rangoon, raises the spectre, however remote, of secondary sanctions, which ASEAN would obviously like to avoid. However, these complaints also have a ring of authenticity. ASEAN's engagement policy with Burma has not shown tangible results in promoting political reconciliation in the country, and trade between Burma and other ASEAN countries has also declined in recent years.

The rallying cry for U.S. policy in Burma this quarter has been disapproval of Rangoon's chairmanship of ASEAN when the rotation comes to it in mid-2006. Washington has made clear that it will not send a senior official to an ASEAN meeting in Rangoon, and has hinted that it could withhold funds for regional development projects if Burma takes the chair. The ASEAN governments have given the reflexive response – that the Association is governed by consensus and follows the “ASEAN Way,” the rule of noninterference in the internal affairs of a member state. Behind the scenes, however, ASEAN leaders have been attempting to persuade Rangoon to stand down.

Any such maneuver must make it appear that the impetus for such a move came from Burma itself. At the annual ASEAN Foreign Ministers Meeting in Cebu in April, the Burma chair issue was the main topic, but the only tangible outcome was a statement supporting Rangoon's right to decide. This dilemma arises at a difficult time for the Burmese regime. Than Shwe, chair of the State Peace and Development Council (SPDC), is still in the process of purging the influence of Khin Nyunt, the prime minister he deposed last year. Withdrawing from the ASEAN chairmanship could damage his image in hardline quarters of the Burmese military. However, bomb explosions in Rangoon in May have given Than Shwe a more concrete and local crisis to consider. Increasingly, the

common assumption is that Rangoon will voluntarily withdraw as the 2006 chair at the ASEAN Ministerial Meeting in Vientiane next month.

### **Looking Ahead**

July promises to be a busy month in U.S. relations with Southeast Asia. On the 12th, Singaporean Prime Minister Lee Hsien Loong will make his inaugural visit to Washington. At that time, the two countries expect to sign the Strategic Framework Agreement, under negotiation since 2003. The U.S. and Thailand will hold the fourth round of FTA talks in Montana, while the U.S. and Vietnam will conduct another round of WTO negotiations. It is unclear if these WTO talks will yield formal U.S. approval of Vietnam's accession in time for the 10<sup>th</sup> anniversary of normalization, on July 11, but Washington's agreement must come soon if Hanoi is to meet its goal of acceding to the WTO by the end of this year. If the administration does give the nod to WTO, Congress will probably debate PNTR for Vietnam in late September or early October.

The highlight of the month will be the annual meeting of the ASEAN Regional Forum (ARF), which opens this year in Vientiane on July 29. The State Department has announced that Secretary of State Condoleezza Rice will include Thailand in her July 8-13 trip to Asia, the only Southeast Asian country she will visit. She will apparently skip the ARF meeting, and Zoellick is her presumed substitute. His familiarity with Southeast Asia and his authorship of the Enterprise for ASEAN Initiative in the administration's first term make him a respected figure in the region. However, despite this and the recent flurry of diplomatic activity, a no-show by Rice, particularly in her first year as secretary of state, could mean that Southeast Asia will get little policy attention at the Cabinet level and above in the second term of the Bush administration.

## **Chronology of U.S.-Southeast Asia Relations April-June 2005**

**April 5, 2005:** State Department issues a statement of concern over avian flu, which has killed 50 people in Southeast Asia to date, and offers bilateral technical and epidemiological help to affected countries.

**April 8, 2005:** U.S. and Thailand conclude third round of negotiations on a free trade agreement.

**April 29, 2005:** Hospital ship *USS Mercy* wraps up emergency assistance in Nias after an 8.7 magnitude earthquake struck the Indonesian island March 8.

**April 29, 2005:** U.S. trade representative announces that Indonesia will remain on the Special 301 Priority Watch List for 2005, after reviewing the country's trade practices for intellectual property rights protection.

**May 2, 2005:** Deputy Secretary of State Robert Zoellick departs for a nine-day visit to Southeast Asia where he will call upon the Philippines, Vietnam, Thailand, Indonesia, Malaysia, and Singapore. Zoellick will review post-tsunami reconstruction efforts as well as bilateral security and economic issues.

**May 2, 2005:** *Cobra Gold* military exercises with U.S., Thai, Singapore, and Japan militaries open in Chiang Mai, Thailand. The 11-day exercise adds disaster response to the agenda.

**May 4, 2005:** In the Philippines, Zoellick meets with President Gloria Macapagal-Arroyo. Discussing the situation in Mindanao, he hints that development aid to the Philippines may increase if progress is made on negotiations with the Moro Islamic Liberation Front.

**May 5, 2005:** In Hanoi, Zoellick announces the conclusion of a religious freedom agreement with Vietnam.

**May 8, 2005:** In Indonesia, Zoellick signs a memorandum of understanding with Jakarta for reconstruction of the road from Banda Aceh to Meulaboh, a \$245 million project.

**May 8, 2005:** The U.S. Army Pacific and the Logistics General Department of the People's Army of Vietnam co-host the four-day 15<sup>th</sup> Asia-Pacific Military Medicine Conference in Hanoi.

**May 9, 2005:** In Malaysia, Zoellick meets with Prime Minister Abdullah Ahmad Badawi, discusses security in the Strait of Malacca, and witnesses the signing of an agreement to renew military-to-military relations.

**May 10, 2005:** Zoellick wraps up his trip in Singapore with a meeting with Prime Minister Lee Hsien Loong, at which he reiterates U.S. policy on Burma's chairmanship of ASEAN in 2006.

**May 17, 2005:** White House sends notice to Congress that emergency conditions in Burma extend beyond May 20, 2005, the first step toward renewing sanctions against the military regime.

**May 25, 2005:** President Bush meets with Indonesian President Susilo Bambang Yudhoyono at the White House. Bush announces that the U.S. will donate another \$400 million for tsunami relief, bringing the total official U.S. contribution to \$857 million, and that Indonesian participation in the International Military Education and Training program will resume after 14 years.

**May 25, 2005:** U.S. Embassy in Jakarta closes due to a specific threat against it on the internet, re-opens a few days later.

**May 26, 2005:** U.S. and Indonesia resume bilateral energy consultations after an eight-year hiatus.

**May 31, 2005:** U.S. Navy begins two weeks of antiterrorism exercises with Singapore in the South China Sea. The exercises involve more than 1,500 troops, a submarine, and 12 ships.

**May 31, 2005:** Ambassador Nitya Pibulsongkran, head of the Thai negotiating team for the U.S.-Thai Free Trade Agreement, says that negotiations are one-quarter complete and estimates they will take another two years.

**June 1, 2005:** President of the Cambodian Freedom Fighters, a California-based insurgency group, is arrested in Long Beach on federal charges of conspiracy to kill in a foreign country, for a November 2000 assault on Cambodia's Ministry of Defense.

**June 3, 2005:** Secretary of Defense Rumsfeld attends the three-day meeting of the International Institute for Strategic Studies Asia Security Conference in Singapore, where he questions China's growing military expenditures.

**June 3, 2005:** State Department releases the *2005 Trafficking in Persons Report*. Indonesia and Singapore are unchanged as Tier 2 countries, but Thailand, Vietnam, and Laos are upgraded from the Tier 2 Watch List to Tier 2. The Philippines stays on the Tier 2 Watch List, while Cambodia slips down to Tier 3, making it eligible for sanctions. Burma stays on Tier 3.

**June 6, 2005:** Rumsfeld stops in Thailand and meets with Prime Minister Thaksin Shinawatra to discuss regional security issues.

**June 7, 2005:** Philippines-U.S. Mutual Defense Board concludes 46<sup>th</sup> anniversary meeting, which includes strategic dialogues and approves reactivation of the Joint MDB secretariat.

**June 15, 2005:** U.S. and Indonesia sign a debt deferral agreement, rescheduling \$212 million to help Indonesia free up resources for tsunami assistance.

**June 20, 2005:** On the first day of his visit to the U.S., Vietnamese Prime Minister Phan Van Khai meets Microsoft Chairman Bill Gates in Seattle. Microsoft promises to assist Vietnam's technological development and train 50,000 Vietnamese teachers.

**June 20, 2005:** U.S. and Indonesian officials meet under the auspices of the U.S.-Indonesian Trade and Investment Framework Agreement (TIFA) and discuss intellectual property rights, agriculture, customs and the domestic investment climate.

**June 20, 2005:** Rep. Chris Smith, chairman of the Subcommittee on Africa, Global Human Rights and International Operations of the House International Relations Committee, holds hearings on human rights in Vietnam.

**June 21, 2005:** President Bush and Prime Minister Khai meet at the White House, the first official visit of a Vietnamese head of state since the end of the Vietnam War. They sign accords on adoption, religious freedom, and agricultural cooperation.

**June 21, 2005:** After a meeting between PM Khai and Secretary Rumsfeld, the two nations announce that Vietnam will participate in the IMET program for the first time.

**June 21, 2005:** PM Khai and Secretary of Commerce Carlos Gutierrez witness signing of major business and operating agreements between U.S. and Vietnamese business groups, including Boeing, Motorola, and Unocal. Vietnam also promises the American Insurance Group a license to sell non-casualty insurance in Vietnam in six months.

**June 23, 2005:** Agency for International Development Director Andrew Natsios announces that \$656 million in aid to Indonesia, part of the package requested by President Bush for tsunami relief, has been released by the Office of Management and Budget.

**June 23, 2005:** The Pew Global Attitudes Project releases a new survey of the Muslim world, which indicates that Indonesian approval of the U.S. has doubled since the tsunami relief operation, but still lags pre-2001 levels.

**June 24, 2005:** U.S. expresses serious concern about political repression in Burma during a closed-door meeting of the UN Security Council.

**June 28, 2005:** Christopher Hill, assistant secretary of state for East Asia and Pacific affairs, hosts the U.S.-ASEAN Dialogue in Washington.

**June 28, 2005:** Rep. Loretta Sanchez attempts to block funds for Vietnamese participation in IMET, but withdraws the amendment when Rep. Jim Kolbe persuades her that IMET training for Vietnam will “provide an additional context for the Vietnamese to understand how important it is for the U.S. to see improvements in human rights.”