March 2012

KOREA COMPASS

KEI KOREA ECONOMIC INSTITUTE 한미경제연구소

TRACING THE IMPACTS OF KOREA'S ENGAGEMENTS AROUND THE WORLD

KOREA-SOUTHEAST ASIA-US RELATIONS: TRIANGLE WITH A GAP?

Satu Limaye, PhD

Southeast Asia/ASEAN is enormously important to the "rebalancing" and "pivot" of American policy towards the Asia-Pacific region. In fact, in recent years, there has been considerable scholarly and analytical debate about the place and role of Southeast Asia in the Asia Pacific, and specifically about Southeast Asia's "centrality".[1] Consider just some of the recent steps the U.S. has taken regarding Southeast Asia/ASEAN:

- First, the U.S. signed the Treaty of Amity and Cooperation (TAC), paving the way for U.S. membership of the East Asia Summit (EAS). The EAS may become the apex of or at least primus inter pares among evolving regional groupings.
- Second, the U.S. has acknowledged ASEAN as the "fulcrum" of the regional institution or architecture-building (though not necessarily order-building) project.
- Third, the U.S. became the first ASEAN dialogue partner to assign a resident ambassador to the ASEAN secretariat in Jakarta, Indonesia.
- Fourth, the U.S. has held three consecutive, progressively more useful summits with ASEAN; a development that, along with signing TAC, joining EAS and having ambassadorial representation, helps to further institutionalize the US-ASEAN relationship.
- Fifth, the U.S. has worked with individual ASEAN member countries to strengthen alliances, enhance partnerships and initiate re-engagement in the specific case of Burma/Myanmar. A strong basis of bilateral ties provides the bedrock for U.S.-Southeast Asia/ASEAN relations and the rapprochement with Burma removes a long-standing constraint to and irritant in U.S.-Southeast Asia relations.[2]
- Sixth, starting at the ASEAN Regional Forum (ARF) meeting in July 2010, the U.S. has laid out a clear and principled position on South China Sea disputes—giving reassurance to Southeast Asia and dissuading others from unilateral assertion of claims. The importance of maritime issues is now embedded in both US bilateral and multilateral engagement with Southeast Asia as evident at the November 2011 East Asia Summit.
- Seventh, in announcing its commitment to moving forward with the Trans-Pacific Partnership (TPP), the U.S. is directly engaged in trade negotiations with three important Southeast Asian economies—Singapore, Malaysia and Vietnam. The initiative provides the basis for expanded membership from Southeast Asia and elsewhere in the Asia Pacific region in the future.
- Eighth, the U.S. has articulated an adjustment in its defense posture that will be more "geographically distributed, operationally resilient and politically sustainable." This adjustment will increase opportunities for U.S.-Southeast Asia cooperation. New cooperation has already been announced with Singapore and the Philippines, for example.
- Ninth, the U.S. has announced the Lower Mekong Initiative (LMI) to enhance cooperation and capacity across environment, health and infrastructure projects among Cambodia, Laos, Thailand, and Vietnam.
- Finally, the U.S. is expanding contribution to ASEAN capacity building on issues ranging from human rights to connectivity to intra-regional trade.

These policy initiatives are nested in a more fundamental U.S. approach to the Asia-Pacific region that emphasizes three things: managing and strengthening bilateral alliances; building new bilateral partnerships; and being "all in" in terms of active participation in emerging regional institutions.

Recent policy initiatives also reflect Southeast Asia's intrinsic, structural importance to the U.S. This importance is likely to deepen as regional countries grow their populations, economies, globalization, and foreign and security policy roles. Here are just a few ways that Southeast Asia/ASEAN matters for the United States.[3]

- It sprawls across some of the most important energy, trade and shipping routes along the "long littoral" from the Pacific to Indian Oceans;

- It has the third largest combined economy in Asia after China and Japan—with much room for growth given still low per capita incomes, rising populations and trends in globalization and integration;
- It is the third largest U.S. trading partner after China and Japan in Asia;
- It is the top destination for direct foreign investment in all of Asia;
- It is among the fastest growing U.S. export destinations;
- It includes two treaty allies (Thailand and the Philippines) and close security partner (Singapore) and deepening partnerships and new opportunities with several other countries;
- It is a source of over 40,000 foreign students who contribute about $1 billion in revenue to the U.S. economy;
- It is the birthplace of almost a third of foreign-born Asians who live in the U.S.; and
- It is a focus of ongoing civil society ties expressed through travel and tourism, local ties and culture.

The bottom line is that deepening U.S. policy engagement with Southeast Asia is rooted in real, direct contributions to U.S. national life and the region's increasing importance within the Asia-Pacific region and globally.[4]

There are additional important features of U.S.-Southeast Asia engagement that generally receive less attention.[5]

First, with the announcement of plans to appoint an ambassador to Burma, the U.S. will now have full diplomatic relations with all ten member countries of ASEAN. The process of U.S. normalization with Burma, although still conditional, finesses logistical and protocol as well as substantive constraints to full U.S.-Southeast Asia/ASEAN relations. Burma will become the rotating country coordinator for U.S.-ASEAN relations starting this summer and is scheduled to chair ASEAN in 2014.

Second, U.S. engagement with all ten ASEAN member countries, and particularly the CLMV countries, addresses an imbalance in U.S. relations with mainland and maritime Southeast Asia that dates to end of the Vietnam War. Maritime Southeast Asia accounts for roughly 80% of U.S. trade and 90% of U.S. direct investment with all of Southeast Asia. There are further imbalances within U.S. engagement with maritime and mainland Southeast Asia, with Singapore as the key partner among the countries of the former, and Thailand key among the latter. History explains some of the differences in U.S. approach. The end of the Vietnam War created communist states in Vietnam, Cambodia and Laos. Vietnam's invasion of Cambodia limited U.S. engagement with the area for nearly two decades. The Cambodia Peace Accords in 1991 opened a path for U.S. normalization. Moreover, ASEAN's own normalization with mainland Southeast Asia did not commence formally until those countries were inducted into ASEAN, which only occurred during the 1990s. Even today, core U.S. national security interests such as prospects for terrorism, presence of critical sea lanes, and comparatively thicker military cooperation are concentrated (though not exclusive) in maritime Southeast Asia. The asymmetry in U.S. dealings with maritime and mainland Southeast Asia may be narrowing as U.S. bilateral relations with these countries begin to improve.

Third, the United States is persistently challenged to calibrate relations with ASEAN as an organization, with Southeast Asia as a geographical sub-region of wider U.S. East Asia policies, with Southeast Asia as part of U.S. global strategies, interests and values, and most importantly on a day-to-day basis with sovereign, unique countries. The balance can never be entirely satisfactory. But it is fair to say that in the past three decades, bilateral and global factors have dominated U.S. approaches to Southeast Asia. However, there are signs that wider Asia-Pacific developments (e.g., China's rising regional profile, renewed attention to competing South China Sea claims, regional integration, growth in transnational threats such as avian flu, terrorism, natural and man-made disasters, and efforts to create regional multilateral institutions) as well as ASEAN's own efforts to strengthen and institutionalize itself (e.g., movement towards an ASEAN Community by 2015 and the adoption of an ASEAN Charter) are requiring Washington to take a more "regional"—rather than bilateral and global—approach. The net effect of such developments has been to highlight the need for Washington to consider ways in which to strengthen its relations with ASEAN qua ASEAN and to link U.S.-Southeast Asia/ASEAN relations with a broader Asia Pacific policy.

Fourth, the calibration described above has paved the way for the U.S. to use bilateral relationships to achieve policy objectives in multilateral settings and vice versa. As noted above, Burma long complicated U.S. ties to ASEAN. With improving relations with Burma, presumably the U.S. will be better able to work with Napidaw on shaping the agenda and outcomes when it chairs ASEAN and hence the EAS as planned in 2014. A good precedent is the U.S.-Vietnam relationship. The U.S. was able to leverage increasingly constructive ties to Hanoi over the past few years to make the decision to join EAS and make important pronouncements about the South China Sea when Vietnam was chair of ASEAN. Progress on the U.S.-Indonesia comprehensive partnership and Jakarta's chairmanship of ASEAN and EAS in 2011 provided the opportunity to shape the outcome of the first East Asia Summit in which the U.S. participated as a full member. In the past, Laos' chairmanship of ASEAN in 2004 partially underlay stepped-up U.S. engagement with Vientiane. More recently, Assistant Secretary of State for East Asia and the Pacific, Kurt Campbell, travelled to the upcoming chair of ASEAN—Cambodia.

Finally, it is worth noting that the current U.S. engagement with Southeast Asia has the benefit of three balances. First, there is a balance in the range of issues the U.S. is engaged in with its allies, partners and other relationships in the region.

One issue does not trump others; rather, the U.S. is active on all fronts of diplomatic, security, economic and human rights issues. This is important because a long-running irritation in US-Southeast Asia relations has been a perception on the part of regional states that the U.S. pushes one issue at a time in the region—"Cold War", "War on Terror" or democracy and human rights. Today's "full spectrum engagement" reflects not only an evolution of U.S. policy, but more importantly the greater opportunities provided by changed conditions globally, regionally and within these countries to have the kind of wide-ranging relationships that are mutually beneficial. A second "balance" is U.S. engagement across bilateral, ASEAN, and wider regional vectors. Strong bilateral relationships remain the bedrock of U.S. ability to engage the region, but U.S. interests in strengthening ASEAN, ASEAN's own efforts to consolidate and integrate, and ASEAN's role in helping to shape regional organization building, necessitate a fuller U.S. approach to Southeast Asia encompassed by a broader Asia-Pacific policy. A third "balance" is between the supply and demand for American engagement. In light of the series of steps to engage the region discussed above, there is little concern expressed in the region that the U.S. intends to "retreat" from the region—though there are concerns about U.S. ability to sustain the "rebalancing" or "pivot" to the region given planned defense reductions and economic challenges at home. On the other hand, there is increasing demand for a robust U.S. role and presence in the region (not always expressed publicly) and in fact there are many signs that regional countries, aware of potential constraints on supply, are taking actions to sustain U.S. regional primacy. Southeast Asian countries are visibly "stepping up to the plate" not only in diplomatic and security terms, but also in creative public-private partnerships for training and education that will help sustain long-term engagement.

CHALLENGES AHEAD FOR U.S.-SOUTHEAST ASIA RELATIONS

The analysis presented above is decidedly and deliberately positive. And the evidence of U.S.-Southeast Asian/ASEAN relations at the current juncture certainly supports such an assessment. But of course no "relationship" between one country and ten others, and the institution that they belong to, can be entirely challenge free. The following section highlights just two issues that in particular require ongoing efforts to manage.

The first issue is China. There is no denying that China's rise and recent behavior have concentrated the perceptions and actions of all countries across the Asia Pacific—and the world. Certainly China has facilitated U.S.-Southeast Asian/ASEAN ties. The increasing supply of and demand for U.S. role and presence in the region, as discussed above, flows directly from the China factor. But China is not the sole or sufficient factor on which U.S.-Southeast Asia/ASEAN ties can hang. Transitions in Southeast Asian states themselves and the growing importance of all Asia for all of the United States across all sectors (trade, investment, jobs, services exports, foreign student revenues, nontraditional issues ranging from counter-piracy to climate change) mean that the U.S. cannot deal with the region from an either "alliances only" or "China first" approach. Put simply, the U.S. does not want, nor can it afford a "G2" or a "Cold War 2/CW2." A "China first/G2" policy would undermine reassurance to allies and partners and stunt multilateral institutions necessary to manage China's rise. An "alliances only/CW2" approach would polarize a region that is increasingly integrated in part because of China. What is called for is an "Asia first" policy that calibrates these two approaches and at the same time resists being overly entangled in smaller powers' disputes with their larger neighbors. So far, the US has managed to calibrate well, but this will require persistent work ahead.[6]

> "THE BOTTOM LINE IS THAT DEEPENING U.S. POLICY ENGAGEMENT WITH SOUTHEAST ASIA IS ROOTED IN REAL, DIRECT CONTRIBUTIONS TO U.S. NATIONAL LIFE AND THE REGION'S INCREASING IMPORTANCE WITHIN THE ASIA-PACIFIC REGION AND GLOBALLY"

A second issue that will require care is managing U.S. engagement with ASEAN-led multilateralism. The U.S. being "all in" in terms of active participation in all available groupings is a terrific start, but it is not the same as "staying in" or even more important, staying in with a purpose and desirable outcomes. The U.S. will have to work carefully with its Southeast Asian partners to maximize efficiency (by getting the right stakeholders, differentiating the functions of each organization and possibly creating a hierarchy for institutional management), identifying a meaningful agenda, and using institutions as deterrence, dissuasion and reassurance as part of its broader Asia Pacific strategy. This will be a process that requires time, energy, attention and patience but has potentially large payoffs in terms of institutionalizing American presence in the region throughout this century.

There are of course other issues that will weigh on U.S. policy and relations with Southeast Asia/ASEAN. Further increasing our economic engagement is fundamental to continuing to be a credible partner in the region. Asia is increasingly important to the U.S. economically, diplomatically, and for national security. The U.S. will have to work hard, amidst constraints, to make sure its engagement matches the dynamism of an Asia that is integrating itself. In the years ahead, Asia will also have to be brought increasingly into global order building—including institutions, norms and rule-setting. These are "long challenges" but the enhanced U.S. engagement with the Asia Pacific, and specifically Southeast Asia/ASEAN is a good start.

THE SOUTH KOREAN CONNECTION IN THE U.S.-SOUTHEAST ASIA RELATIONSHIP

Where do South Korea and the U.S.-South Korea alliance fit into an expanding, deepening U.S.-Southeast Asia/ASEAN

relationship? First and foremost, these two sets of ties are not mutually exclusive or zero-sum. In fact, the enhanced U.S.-Southeast Asia relationship further commits the U.S. to the prosperity and security of the Asia-Pacific which to my mind highlights the U.S.-ROK alliance; not as a "stand-alone" or outlier but as an example of an effective cornerstone for U.S.-Asia Pacific relations. And increased relations with Southeast Asia clearly do not mean any diminution of the U.S.-ROK alliance. Second, it is difficult to discern any critical, substantive "conflict of interests" between the U.S. and South Korea regarding Southeast Asia. Competition between American and Korean companies for markets, investments and foreign students is the kind of competitive cooperation that is good for the two countries and the region. Indeed, having South Korea, a democratic alliance partner contributing to Southeast Asia's diplomacy, security and development offers the U.S. a broad range of cooperative opportunities and an alternative to the region overly reliant on countries that are not America's allies or democracies. Third, there are a number of specific areas where US-South Korean cooperation is already at work or could be further enhanced in Southeast Asia. A new book on the U.S.-South Korea alliance cooperation on meeting new security challenges, while not directly addressing bilateral cooperation on these challenges in Southeast Asia, suggests many overlaps on issues ranging from maritime security and counterterrorism to health pandemics, climate change and development and humanitarian assistance.[7] Two topics that merit further consideration in U.S.-South Korean cooperation regarding Southeast Asia are how the KORUS FTA affects emerging regional economic integration and government-led cooperation through free trade and other arrangements. Another specific topic might be how the U.S. and South Korea view the evolution and role of the numerous regional institutions for which ASEAN is the "driver". South Korea has not articulated a proposal for a regional grouping that does not include the U.S. It would be useful to understand more about how South Korea's engagement with the "Plus Three/CJK" efforts square with other efforts at regional cooperation such as the EAS.

The U.S. and South Korea have already announced a "Joint Vision" for a broader relationship. Southeast Asia offers several opportunities to apply the vision to bilateral cooperation.

ABOUT THE AUTHOR

Satu Limaye is Director, East West Center in Washington. The views expressed are personal.

REFERENCES

1. See for example the four "debate" articles in *Journal of Current Southeast Asian Affairs,* Vol. 29, No. 3 (2010) and an East West Center (EWC)-Institute of Southeast Asian Studies (ISEAS) dialogue report entitled *Southeast Asia's Place in Asia: Perceptions, Realities and Aspirations* (2011) drafted by EWC Visiting Fellow Bronson Percival and available at http://aseanmattersforamerica.org/wp-content/uploads/2011/11/Southeast-Asias-Place-in-Asia-Workshop-Report.pdf.
2. See Satu P. Limaye (co-editor), Special Focus: America Re-engages Southeast Asia, *Contemporary Southeast Asia*, Vol. 32, No. 3, December 2010, East-West Center and Institute of Southeast Asian Studies.
3. See East West Center, http://www.ASEANMattersforAmerica.org
4. It is remarkable to think that based on current projections, 7 of 10 Southeast Asian countries (Indonesia, Philippines, Thailand, Burma, Malaysia, Cambodia, and Laos) will rank among the top 100 populous countries by 2050.
5. The following discussion draws on Satu P. Limaye, "United States-ASEAN Relations on ASEAN's 40th Anniversary: A Glass Half Full", *Contemporary Southeast Asia 29*, no. 3 (2007): 447–64.
6. Kenneth Lieberthal describes this as "A more complex U.S. Strategy" saying "The Obama Administration does not seek to confront China across the board. Rather, it has adopted a two-pronged approach: to reaffirm and strengthen cooperative ties with China; and to establish a strong and credible American presence across Asia to both encourage constructive behavior and to provide confidence to other countries in the region that they need not yield to potential Chinese regional hegemony." See "The American Pivot to Asia," *Foreign Policy,* December 21, 2011.
7. See Scott Snyder, *The US-South Korea Alliance: Meeting New Security Challenges*, Boulder: Lynne Rienner, 2012.

KEI KOREA ECONOMIC INSTITUTE 한미경제연구소
1800 K St. NW, Suite 1010 | Washington, DC 20006
T.202.464.1982 | F.202.464.1987 | www.keia.org

KEI EDITORIAL BOARD

KEI Editors: Jack Pritchard, Abraham Kim, and Sarah Yun | **Contract Editor:** Gimga Group | **Design:** Gimga Group
The Korea Economic Institute (KEI) is a not-for-profit policy and educational outreach organization focused on promoting dialogue and understanding between the United States and Korea. Established in 1982, KEI covers all aspects of the alliance, including economic, trade, national security, and broader regional issues through publications, forums and conferences across North Korea. KEI is an affiliate with the Korea Institute for International Economic Policy, a public research institute in the Republic of Korea.