



U.S.-Southeast Asia Relations:

## U.S. Ratchets Up Regionalism and Boosts Ties with Muslim States

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Determined to reverse impressions that the United States is out of sync with regional dynamics, the State Department floated the idea of a formal U.S.-ASEAN Summit and speculated publicly on a possible U.S. role in the next East Asia Summit. Condoleezza Rice made her first visit to Jakarta as secretary of state, while U.S. Trade Representative Rob Portman launched negotiations with Malaysia on a free trade agreement in Washington. Southeast Asia's two oldest democracies, Thailand and the Philippines, spent much of the quarter in political turmoil. Protests in Thailand put U.S.-Thai Free Trade Agreement (FTA) talks on ice, but the *Balikatan 2006* exercises went forward in the Philippines as planned, despite a declaration of national emergency. As the U.S. and Vietnam moved closer to agreement on Hanoi's accession to the World Trade Organization (WTO), the focus began shifting to Congress and the debate on Permanent Normal Trade Relations. In Cambodia, the return of exiled opposition leader Sam Rainsy – and hints that Rainsy could join the government coalition – led Washington to contemplate shifts in U.S. policy.

### Testing the regional waters

By the end of January, criticism of the recent U.S. misses and missteps in Southeast Asia was beginning to show on the Bush administration. Southeast Asian governments and pundits on both sides of the Pacific continued to fault the State Department for Secretary Rice's absence at the ASEAN Regional Forum (ARF) meeting in Vientiane last summer, while the business community complained that there was no U.S. representation at the ASEAN Business and Investment meeting in December. In January, Secretary Rice postponed her planned trip to Indonesia because of Israeli Prime Minister Ariel Sharon's health crisis, an unfortunate reason to skip her first call upon the capital of the largest Muslim-majority country in the world. Although U.S. officials downplayed the importance of last December's East Asia Summit in Kuala Lumpur, it endured as a reminder of Washington's explicit exclusion from a regional forum. In early February, Singaporean Ambassador to the U.S. Chan Heng-chee told an Asia Society forum that China's rise in Southeast Asia was helped by a lackluster U.S. response to the 1997 financial crisis, reinforcing a growing perception in Washington that the U.S. is losing ground to China in the region.

In February, the U.S. attempted to apply a tourniquet by opening discussion on a U.S.-ASEAN Summit. Although the U.S. and ASEAN have been dialogue partners for three decades, there is as yet no regular and formal consultative process. On the table are two proposals: a meeting on the margins of the November APEC Summit in Hanoi or a 2007 summit to mark the 30<sup>th</sup> anniversary of U.S.-ASEAN relations. In both, the U.S. assumes exclusion of Myanmar, the invariable obstacle in attempts to expand relations with ASEAN. A meeting in Hanoi in November would also exclude Phnom Penh and Vientiane, since Cambodia, Laos, and Myanmar are not APEC members. ASEAN maintains the categorical imperative of including all members, but is quietly exploring options for an ASEAN-9 dialogue configuration, which would bypass only Myanmar.

U.S. diplomats also began preparing the ground for a possible entry into the East Asia Summit (EAS). At a Manila press conference in March, Assistant Secretary of State Christopher Hill announced that he was consulting with the governments of Malaysia (last year's host), the Philippines (the 2006 host), and Indonesia about a role for the U.S. in the group. Joining the EAS would require that the U.S. accede to the ASEAN Treaty of Amity and Cooperation (TAC). This has heretofore been seen as impossible because of ASEAN's notional attempts to create a "nuclear free zone" and because Myanmar would again be a sticking point. However, Asia analysts in and out of government are encouraging the administration to rethink that assumption, and the possibility of signing (if not ratifying) the TAC is no longer rejected automatically.

One offshoot of this increased activity is the view expressed carefully in some Congressional offices and Washington think-tanks that U.S. policy in Southeast Asia is increasingly held hostage to Myanmar. There is no broad sentiment to overturn Myanmar sanctions at this time, but there is growing acknowledgement that more frank discussion is needed within the U.S. policy community. There are also signs that ASEAN is wearying of the longstanding Myanmar stalemate, which could push regional leaders in either direction. Although ASEAN officials continue to dispatch envoys to Yangon to promote political reconciliation between the military junta and the National League for Democracy, they privately complain that such activities are time-consuming with little hope of immediate payoff. At the end of the quarter, ASEAN Secretary General Ong Ken Yong attempted to draw China and India in by urging them to press Myanmar for greater political progress.

### **Deepening relations with Jakarta and Kuala Lumpur**

Although dynamics between the U.S. and Muslim societies in Southeast Asia continued to show tensions – this quarter over the U.S. response to the Hamas victory in the Palestinian elections and caricatures of the Prophet in Danish newspapers – official relations with both Indonesia and Malaysia were on the upswing. The visit of Secretary Rice to Indonesia was swaddled in complimentary rhetoric. Just before her departure, a senior U.S. official remarked that Indonesia can (and implicitly should) return to its pre-1998 status as a "big player," and pointed to ASEAN as an area for greater Indonesian influence. Although the need to find counterweights for China in the region was no doubt a factor, he may have had more specific uses in mind – during her visit Rice praised

Indonesia's position on Myanmar. She also lauded Indonesian democracy, visited an Islamic school, and highlighted her consultations with Indonesian officials on Iran.

The visit helped to extend Washington's honeymoon with the Yudhoyono-Kalla administration, but both sides also raised red flags. Rice noted democratic progress but also said the U.S. looks forward "to greater accountability and complete reform in the military sphere." In private meetings, Indonesian Foreign Minister Hassan Wirajuda raised doubts about Indonesia's participation in the Proliferation Security Initiative (PSI) because of its possible infringement on sovereignty, an intense concern since fully two-thirds of Indonesian territory can be considered coastal.

U.S.-Malaysian relations took a quantum leap this quarter when U.S. Trade Representative Rob Portman opened negotiations with Kuala Lumpur on a free trade agreement. This was the next step in the growing momentum in U.S.-Malaysia trade, which now averages \$44 billion per year. In May 2004 the two countries signed a Bilateral Trade and Investment Framework Agreement (TIFA). This March the Malaysian government announced it would open the Malaysian market to U.S. boneless beef, a concession that helped bring Washington on board for FTA talks. Both sides are under pressure to conclude negotiations by the end of 2006 in order to submit an agreement to the U.S. Congress before the Bush administration's Trade Promotion Authority (TPA) expires in July 2007. Nevertheless, there will be contentious issues to resolve, auto parts and financial services in particular.

### **Stepping lightly with distressed democracies**

Relations with Thailand and the Philippines were affected this quarter by protracted political crises in both countries. A two-month long protest against Thai Prime Minister Thaksin Shinawatra, sparked by the sale of his family telecommunications company to a Singaporean firm for a tax-free \$1.9 billion, left many issues in Thailand's domestic and foreign portfolio in limbo. Sporadic violence continued in the Muslim-majority southern provinces. The chairman of the National Reconciliation Commission, Anand Panyarachun, delayed submitting the Commission's report in part because, as the protests wore on, it was increasingly unclear who would receive it. Negotiations on the U.S.-Thailand Free Trade Agreement were suspended, as was the signing of Thailand's FTA with Japan.

The prime minister's political opposition lay with the Bangkok classes, which had become increasingly disillusioned with Thaksin's policies and personality, while his strength in the rural sector, which had given him a clear majority in elections only last year, appeared to hold. A complicated chess game played out, in which Thaksin endeavored to remain in power until the April 2 snap elections, which he would most likely win, while the opposition clearly wanted him to step aside. The opposition's boycott of the polls and their attempts to turn the elections into a referendum on Thaksin, through a "Vote No" campaign, helped to ensure that even if polls did go forward they were not likely to settle the issue. A more fundamental issue is constitutional reform. The

opposition wants to close loopholes they feel that Thaksin has exploited in the past five years and does not believe that reform led by a Thaksin administration will do that.

With the exception of a brief period of national emergency, called by President Gloria Macapagal-Arroyo when rumors of a coup against her surfaced, the Philippine political crisis was more low-key, in part because it is of longer duration. Since the 2004 elections, in which questions of electoral abuse were raised, Arroyo's political legitimacy has diminished in some quarters. Constitutional issues are also involved because of a growing movement to change the Philippines political system from a presidential to a parliamentary one. As the crisis drags on, doubts have arisen about whether Arroyo has the political capital to complete peace negotiations with the Moro Islamic Liberation Front (MILF). Although breakthroughs have been reported in the talks, such as the MILF's renunciation of its demands for an independent territory, they are unlikely to move to completion without a strong push and sustained attention from Manila.

Despite this turmoil, U.S.-Philippines relations remained on even keel this quarter, and the annual *Balikatan* joint training exercises went forward even in the midst of the national emergency. A mudslide that nearly covered a town in southern Leyte underscored one of the benefits of bilateral military cooperation – U.S. ships, helicopters, and troops that had been positioned for the *Balikatan* exercises were diverted to help in the relief efforts.

### **Picking up momentum with Vietnam**

Two deadlines have helped focus, and improve, U.S.-Vietnam relations this quarter: Bush's planned November visit to Vietnam for the APEC Summit, and Vietnam's expected accession to the World Trade Organization (WTO). Vietnam completed its 12<sup>th</sup> multilateral WTO round in Geneva in March. Hanoi is close to concluding its series of bilateral WTO negotiations, with the U.S. rounds the most significant obstacle. In order to join the WTO this year, Vietnam must wrap up talks with the U.S. before the summer, so that Congress can consider Permanent Normal Trade Relations (PNTR) status for the country.

Although the USTR has not yet given final approval, both sides are obviously preparing for the PNTR push. One sign is increased activity in human rights diplomacy, which has had a negative impact on other areas of U.S.-Vietnam relations in recent years. The bilateral human rights dialogue, suspended in 2003, was resumed in Hanoi and U.S. officials commented favorably on it, particularly in the area of religious freedom. Although the State Department renewed Vietnam's status as a "Country of Particular Concern" (CPC) in November, in March U.S. Ambassador to Hanoi Mike Marine hinted that the department may lift the CPC designation in the near future. To examine, if not check, this acceleration in relations, the Human Rights Subcommittee of the House International Relations Committee held hearings on human rights in Vietnam at the end of March. Even Vietnam's Congressional critics cited signs of improvement, although it is not clear if they will allow PNTR to go through without challenge.

## **Turning a page with Cambodia?**

A greater surprise has been an upturn in U.S.-Cambodia relations this quarter. The State Department and Congress are quietly rethinking aid sanctions on Phnom Penh as dynamics within that country's political elite begin to shift. The year began on a negative note as the government imprisoned a prominent human rights activist and other civil society opposition figures who protested the Cambodia-Vietnam border agreement signed last October. The government timed their release to the visit of Assistant Secretary of State Christopher Hill in mid-January, and Prime Minister Hun Sen went so far as to label the releases "a gift to the United States." In short order, an agreement was reached to enable exiled opposition leader Sam Rainsy to return to Cambodia, and the prime minister even speculated publicly on repealing the defamation law that had enabled the government to prosecute Rainsy and other opposition politicians. Hun Sen saw more at stake than pleasing the U.S., however. These moves were made in advance of Cambodia's annual meeting with its international donors, an important event since the country still relies on foreign assistance for half of its national budget.

These events were enough to improve U.S.-Cambodia relations, but a prospective political development could rewire the relationship altogether. Since Rainsy's return, rumors have strengthened that he and Prime Minister Hun Sen are considering a role for the Sam Rainsy Party in the government coalition, after the 2008 elections if not before. During his year abroad, Rainsy no doubt came to question how effective he could be from the outside, but the greater gain in such an arrangement would go to Hun Sen. For nearly a decade, the U.S. Congress has clearly favored Rainsy over Hun Sen, although administrations have tried to maintain a nonpartisan approach. If the Cambodian political establishment does reshuffle the cards, U.S. policymakers will be forced to rethink their approach.

## **Looking ahead**

As the major meetings of the year draw closer – the ASEAN Regional Forum in Kuala Lumpur, the APEC Summit in Hanoi, and the East Asia Summit in the Philippines – Washington will be increasingly pressured to act on its expressed intentions to strengthen formal U.S. relations with regional institutions. U.S. policymakers may be able to finesse the nuclear issue with the Treaty of Amity and Cooperation to join the East Asia Summit, as Australia did last year, but Myanmar policy is likely to be a greater obstacle, and one that could also block the establishment of a formal U.S.-ASEAN Summit.

Given the volatility of the U.S. image in the Muslim world, U.S. policymakers will have to invest some time in maintaining momentum in relations with Indonesia and Malaysia, although the fundamentals are clearly improving. U.S. and Thai officials will have to make a quick start in resurrecting FTA talks if an agreement is to be reached before the TPA expires. Although the U.S. should continue to maintain a low profile in dealing with the situation in southern Thailand, U.S. policymakers should make clear that it will support Thai efforts to find a constructive resolution to problems in the south as soon as the political dust in Bangkok clears.

Momentum with Vietnam is only likely to increase in pace and intensity as the year goes on. Assuming a successful conclusion of bilateral WTO talks, the relationship will focus heavily, but not exclusively, on the PNTR debate in Congress this summer. However, in June, Secretary Rumsfeld will visit Vietnam in the hopes of advancing the security dialogue to the point that a formal announcement of a strategic framework can be made during Bush's visit to Hanoi in November.

### **Chronology of U.S.-Southeast Asia Relations January-March 2006**

**Jan. 6, 2006:** The State Department protests the arrests of Kem Sokha, human rights activist, and three other civil society figures in Cambodia and charges the Cambodian government with attempting to neutralize all opposition.

**Jan. 12, 2006:** Four-day talks to negotiate the U.S.-Thailand Free Trade Agreement, the sixth round of negotiations, begin in Chiang Mai amidst protests there and in Bangkok.

**Jan. 13, 2006:** U.S. Ambassador to Cambodia Joseph Mussomeli says the Cambodian government should stop arresting critics and "needs to chill."

**Jan. 13, 2006:** State Department expresses concern that no one has been brought to justice in Thailand for the 2004 disappearance of attorney Somchai Neelaphaisit, who alleged that the police tortured prisoners, after four officers charged in the disappearance were acquitted.

**Jan. 16, 2006:** Through a diplomatic note, the U.S. informs the Philippine government that it will retain custody of four Marines accused of rape while their case is processed through the Philippine courts. The Marines will reside at the U.S. Embassy in Manila.

**Jan. 17, 2006:** Assistant Secretary of State Christopher Hill opens the new U.S. Embassy in Phnom Penh. Prime Minister Hun Sen uses the occasion to free Kem Sokha and three other activists, calling the releases "a gift to the United States."

**Jan. 17, 2006:** U.S. and Philippine militaries embark upon a month of small unit exchanges – *Balance Piston 06-02* – in North Catabato under the U.S. Joint Combined Training program for the Pacific Rim.

**Jan. 23, 2006:** Ministry of Trade and Industry in Vietnam announces new allocation procedures for quotas on U.S.-bound textile exports. Under the new system, 40 percent of the quota will be automatically allocated, vs. 70 percent in previous years; the remaining 60 percent will be divided among companies with good performance records in 2005.

**Jan. 25, 2006:** U.S. Ambassador to Thailand Ralph Boyce seeks assurances from the Thai government that U.S. businesses would not lose preferences with the expiration of trade provisions in the 1966 Thailand-U.S. Treaty of Amity and Economic Relations. Under WTO rules, the provisions expired Dec. 31, 2005.

**Feb. 3, 2006:** ASEAN Secretary General Ong Keng Yong indicates that ASEAN is in discussions with Washington on establishment of the first formal U.S.-ASEAN Summit, which could take place in late 2006 or early 2007.

**Feb. 3, 2006:** At an Asia Society forum in Houston, Singaporean ambassador to the U.S. Chan Heng-chee says, “The U.S. response or failure to respond to the Asian Financial Crisis in 1997 strengthened China’s standing in the region...China did not take a wrong step during this crisis.”

**Feb. 6-19, 2006:** Protests against caricatures of the Prophet Mohammed in Danish newspapers spread to the U.S. Embassy in Jakarta and the U.S. Consulate in Surabaya.

**Feb. 10, 2006:** State Department issues a statement welcoming the return to Cambodia of Sam Rainsy, opposition leader whose year-long exile was ended when King Norodom Sihamoni pardoned his criminal conviction for defamation at the government’s request.

**Feb. 15, 2006:** U.S. moves the Philippines from the “Special 301 Intellectual Property Rights Priority Watch List” to the “Watch List,” which signifies improvement.

**Feb. 17, 2006:** After the Philippines suffers a massive mudslide in Leyte, the U.S. diverts a naval vessel docked in Subic Bay for *Balikatan* exercises to provide disaster assistance; U.S. helicopters, also in country, perform rescue and relief services.

**Feb. 20, 2006:** *Balikatan 2006* training exercises are launched, with simultaneous activity in Cebu, Luzon, and Sulu. The exercises focus on counterterrorism and interoperability between the two militaries, and involve 5,500 U.S. and 2,800 Philippine personnel.

**Feb. 20, 2006:** U.S. and Vietnam resume official dialogue on human rights in Hanoi, after a three-year hiatus.

**Feb. 22, 2006:** Indonesian President Susilo Bambang Yudhoyono indicates that he will back Exxon Mobil as the lead operator of the Cepu Contract Area in East and Central Java in the oil company’s dispute with the wholly-owned state enterprise P.T. Pertamina.

**Feb. 24, 2006:** In response to Philippine President Gloria Arroyo’s declaration of national emergency, the State Department issues a statement urging the government and anti-Arroyo activists to reject violence and protect civil liberties. Arroyo imposed the emergency because of a rumored coup plot timed to coincide with 20<sup>th</sup> anniversary celebrations of the 1986 “People’s Power” revolution.

**Feb. 28, 2006:** Intel announces it will build a \$300 million semi-conductor assembly and testing plant in Ho Chi Minh City, making it the largest investment in Vietnam by a U.S. company. Operations will begin in the second half of 2007.

**Feb. 28, 2006:** State Department issues a statement welcoming the unanimous decision of the Cambodian National Assembly to reinstate Sam Rainsy and two opposition MPs, all of whom had been expelled from the legislature in 2005.

**March 1, 2006:** Thai government suspends talks on the U.S.-Thai Free Trade Agreement because of snap elections scheduled for April 2. Negotiations are tentatively set to resume in October. Bangkok also postpones signing a free trade agreement with Japan.

**March 1, 2006:** Vietnam's 54 shrimp companies that have been exporting to the U.S. since 2004 ask the Department of Commerce to reconsider anti-dumping tariffs against them. A decision will be forthcoming in 90 days.

**March 2, 2006:** Assistant Secretary of State Christopher Hill arrives in Manila to co-chair the ASEAN Regional Forum Intersessional Support Group and to kick off a "listening tour" of the region on the U.S. role in Southeast Asia. He indicates that U.S. reservations against the East Asia Summit are waning.

**March 3, 2006:** President Arroyo lifts the state of emergency in the Philippines.

**March 7, 2006:** Malaysia announces it will open its market to U.S. boneless beef.

**March 8, 2006:** U.S. Trade Representative Rob Portman launches first round of negotiations between the U.S. and Malaysia for a free trade agreement. A heavy turnout of senators and congressman is viewed as a hopeful sign for approval of a final agreement.

**March 10-11, 2006:** FBI Deputy Director John S. Pistole visits the Philippines. The U.S. provides more than \$12 million in assistance, equipment, and training to help strengthen Philippine law enforcement.

**March 12, 2006:** In response to Myanmar's announcement of an avian flu outbreak near Mandalay, the U.S. provides 2,000 units of protective clothing and sprayers through the Food and Agricultural Organization.

**March 14, 2006:** A senior U.S. official, speaking on background, asserts that "Indonesia can be a big player again," and suggests the country could take a more vigorous role in ASEAN.

**March 14, 2006:** UN and Cambodia issue agreements that form a legal foundation for efforts to put Khmer Rouge leaders on trial for crimes against humanity during their 1975-78 reign.



**March 14-15, 2006:** Secretary of State Condoleezza Rice visits Indonesia, the only Southeast Asian country in a trip that includes Australia, Chile, and Peru. She meets the Indonesian foreign policy establishment, visits a Muslim school, and launches an \$8.5 million U.S. assistance program to promote education using Sesame Street characters.

**March 15, 2006:** Exxon Mobil and P.T. Pertamina sign a joint operating agreement for the Cepu oil block.

**March 17, 2006:** U.S. announces a \$11.5 million grant to Indonesia for poultry and health surveillance programs to avert avian flu. To date, the virus has killed 22 Indonesians. Jakarta estimates it will require \$900 million to fight the disease.

**March 17, 2006:** U.S. Ambassador to Vietnam Michael Marine indicates that the State Department is “exploring conditions” for Vietnam’s removal from the list of Countries of Particular Concern on religious freedom.

**March 24-25, 2006:** U.S. and Vietnam hold negotiations on Vietnam’s accession to the World Trade Organization, on the margins of the 12<sup>th</sup> multilateral round on Vietnam and the WTO in Geneva.

**March 28-29, 2006:** At the first international conference for victims of Agent Orange, held in Hanoi, war veterans from the U.S., Australia, South Korea, Australia, New Zealand, and Vietnam call for the U.S. government to apologize for the use of defoliants during the Vietnam War, and for U.S. manufacturers of Agent Orange to pay compensation “commensurate with liability.”

**March 29, 2006:** House International Relations Committee’s Subcommittee on Human Rights conducts hearings on human rights in Vietnam, to assess progress in light of the anticipated debate on granting Permanent Normal Trade Relations to Hanoi this summer.

**March 29, 2006:** Testifying before the Senate Foreign Relations Committee, State Department EAP DAS Eric John signals that the Bush administration will support renewal of the import ban in the Myanmar Freedom and Democracy Act.

**March 29, 2006:** U.S. Peace Corps announces that it will place Volunteers in Cambodia for the first time in that country’s history. Scheduled to arrive in 2007, the first volunteers will teach English and work in health education.

**March 30, 2006:** ASEAN Secretary General Ong Ken Yong pressures China and India to persuade the Burmese junta to step up democratic reform after Malaysian Foreign Minister Syed Hamid Albar, in his capacity as ASEAN Special Envoy to Myanmar, is denied permission to meet National League for Democracy leader Aung San Suu Kyi.

