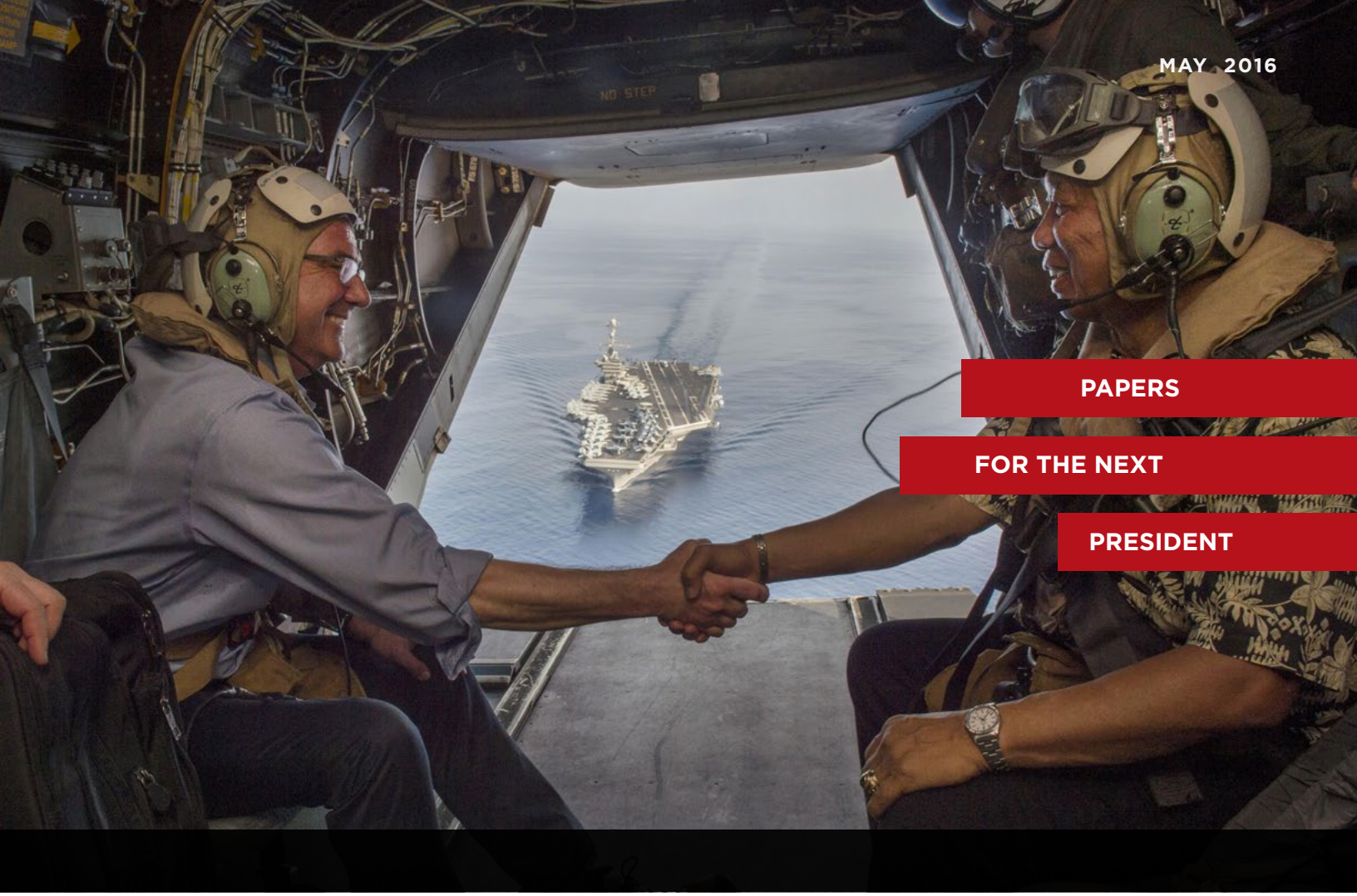

MAY 2016

PAPERS FOR THE NEXT PRESIDENT

# SUSTAINING THE REBALANCE IN SOUTHEAST ASIA

## Challenges and Opportunities Facing the Next Administration

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## About the Author

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## About the Series

This policy brief is part of the Derwin Pereira Southeast Asia Foreign Policy Series, which convenes a bipartisan group of current and former senior government and regional specialists. Each policy brief in the series will focus on the diplomatic, economic, and security dimension of Southeast Asia policy facing the next administration. This project was made possible due to the generous support of Derwin Pereira.

Over the course of the next 18 months, the Center for a New American Security will release reports designed to assist the next president and his or her team in crafting a strong, pragmatic, and principled national security agenda. The Papers for the Next President series will explore the most critical regions and topics that the next president will need to address early in his or her tenure and will include actionable recommendations designed to be implemented during the first few months of 2017.

## About the Asia-Pacific Security Program

The Asia-Pacific Security program seeks to inform the exercise of U.S. leadership in Asia by analyzing how the United States can rebalance its priorities; shape a rules-based regional order; modernize traditional alliances; build the capacity of new partners; and strengthen multilateral institutions. From exploring rising maritime tensions in the region to crafting ways to renew key alliances and partnerships to articulating strategies to extend and enhance America's influence, the program leverages the diverse experience and background of its team, deep relationships in the region and in Washington, and CNAS' convening power to shape and elevate the conversation on U.S. policy across a changing Asia.

Cover Photo
From the beginning, the next administration should immediately signal its intent to remain deeply engaged with Southeast Asia while at the same time establishing markers that show durability and strength. In April 2016, Defense Secretary Ash Carter shakes hands with Philippine Defense Secretary Voltaire Gazmin aboard a Marine Corps MV-22 Osprey as they depart from the USS John C. Stennis in the South China Sea. (DoD/Air Force Senior Master Sgt. Adrian Cadiz)

# SUSTAINING THE REBALANCE IN SOUTHEAST ASIA

## Challenges and Opportunities Facing the Next Administration

## First 100 Days Agenda

Asia is all about the long game. However, the United States will be judged on a daily basis for its commitment, capability, and intentions. A new administration should immediately signal its intent to remain deeply engaged with Southeast Asia, while simultaneously putting down markers that show durability and strength. The new president should pursue this five-point agenda within the first 100 days in office.

**Deliver a major speech in the United States on the importance of Asia.** Although President Barack Obama often spoke of the importance of Asia while in the region, there was far too little discourse and understanding about its strategic and economic importance in the United States. A new president can at once capitalize on the successful elements of the rebalance policy, underline new areas of emphasis or direction, and convey a vision of renewed American prosperity that must flow through Asia's rising markets. Among other things, the president should announce the second and third recommendations of this five-point agenda: namely, the effort to craft a regional strategy within the year and accelerated construction of a transparency regime in the South China Sea.

**Direct the National Security Advisor to coordinate an interagency strategy for the Indo-Pacific region in which relations with Southeast Asia are accorded an increasingly prominent position commensurate with its rising importance.** The Obama administration's rebalance to Asia constituted a strategic course correction for U.S. foreign policy. Yet the policy never achieved high-level clarity and coherence, in no small measure because of the absence of an authoritative and singular public strategic document. The new administration should not let this languish, but instead move smartly to complete this badly needed strategic blueprint for the Indo-Pacific region in time for the new president to deliver foundational speeches in Asia, including in the Philippines during its 2017 chairmanship of the Association of Southeast Asian Nations (ASEAN).

**Set a new, accelerated timetable for constructing a common operating picture in and around the South China Sea.** The new administration should double down on creating a transparency regime as a regional public good, on the one hand, and a key element for early warning and contingency response, on the other. Specific hubs and partners should be given priority based on their strategic importance and level of cooperation. For instance, the president should visit Clark Air Base or one of the other Philippine bases, newly available to the United States under a 10-year access arrangement, that support maritime domain awareness for humanitarian disaster response and other purposes. Shared situational awareness remains the least controversial and most achievable region-wide goal that serves a multitude of objectives, from better response to natural disasters to illuminating coercive action in disputed waters. While the administration should accelerate the basic construction of a common operating picture, it should at the same time make clear its long-term determination to support further security capacity building for Southeast Asian countries. Among other steps, for instance, the new administration should announce its intention to upgrade the five-year Maritime Security Initiative, both with respect to the level of effort and duration.

**Announce an interagency review of the strategically vital Trans-Pacific Partnership (TPP) trade pact to determine how to implement and expand it, while addressing legitimate domestic concerns about the unintended consequences of global trade.** While the TPP already includes four Southeast Asian countries, the new administration should announce that it is opening up discussions with other regional actors, including Indonesia and the Philippines in Southeast Asia, as well as other actors such as South Korea and Taiwan. Meanwhile, the review should recommend actionable policies for compensating potential adverse consequences on some business sectors and members of the work force, to ensure that the United States benefits from global trade without leaving other Americans behind.

**Task the State Department, the U.S. Agency for International Development, the Millennium Development Corporation, and other parts of the interagency to develop a new initiative aimed at developing human capital to address 21st-century challenges.** The initiative should be driven by education, science, and technology, and focus more on building human capacity rather than infrastructure. This soft-power initiative should leverage the efforts of others and thus be open to working in tandem with other countries but also in public-private partnerships with business and civil society. An interagency review should identify priority areas and best practices for achieving cost-effective impact. To kick-start the process, the new president could fast-track legislation for education and exchange programs with key Southeast Asian nations.

*Women shop at a vegetable market in Dong Ha in Vietnam. Vietnam is a notable example of Southeast Asia's growing importance and global economic influence. (Panos/Jan Banning)*

## Introduction

Southeast Asia's global rise illustrates its promise and its pitfalls. As with growing global interdependence, there are pluses and minuses that President Barack Obama's successor will have to assess when setting policies for a region of 625 million people who collectively constitute America's fourth-largest trading partner.

U.S. policy during the Obama administration has sought to build up relations with Southeast Asia as part of a rebalance to the wider Indo-Pacific region. Southeast Asia, in fact, was quickly dubbed as the "rebalance within the rebalance," reflecting the fact that the United States already was heavily vested in engaging Northeast Asia. Overall, the White House has described its policy as attempting to construct a web of like-minded states committed to promoting economic prosperity, cooperation on common challenges, and a rules-based order.

The proverbial low-hanging fruit of the rebalance has been partly harvested. President Obama opened relations with Burma, elevated relations with Vietnam, and forged a new strategic partnership with Indonesia. He also managed to conclude an upgrade in relations with the Philippines in the form of an Enhanced Defense Cooperation Agreement and the subsequent selection of multiple bases through which U.S. forces would rotate and gain access.[1] Finally, President Obama achieved a new relationship with the Association of Southeast Asian Nations (ASEAN), including hosting all 10 Southeast Asian leaders at a February summit in California.

Will the next administration be as successful at seizing further opportunities while avoiding emerging challenges in Southeast Asia? Specifically, will Obama's successor be willing and able to sustain the rebalance, a multifaceted and comprehensive approach to increasing economic, diplomatic, and security engagement? More generally, will the next U.S. administration achieve a larger global and regional balance of power that enables and supports continued equilibrium within Southeast Asia and provides smaller powers with more breathing room? What will be the major opportunities and challenges?

**As China and other powers vie to expand their influence in Southeast Asia, only a comprehensive approach blending soft and hard power is likely to support U.S. interests and relations in the region.**

This policy brief suggests there are five clusters of issues that will test the next administration's commitment and ability to seize more opportunities and avoid the biggest potential hurdles. As China and other powers vie to expand their influence in Southeast Asia, only a comprehensive approach blending soft and hard power is likely to support U.S. interests and relations in the region.

This brief explores five issue areas: trade and sustainable economic development; maritime security; diplomatic engagement and regional architecture building; democracy and human rights; and countering terrorism, political violence, and transnational crime. This is not an exhaustive list, but it does capture most of the salient issues likely to drive U.S. policy over the next decade. From these issue areas one can highlight a number of key questions that will have to be answered by the next president of the United States if relations with Southeast Asia are to continue to make progress across economic, political, and security areas. Before dissecting each group of issues, however, let us first characterize the general situation that President Obama's successor is likely to inherit for the next four or eight years.

## A New Legacy of Southeast Asian Engagement

The next administration will begin its Southeast Asian policy with a region accustomed to very active U.S. diplomatic, economic, and security engagement. President Barack Obama has turned around a relationship that many saw as bedeviled by a distracted America and an inward-looking Southeast Asia.[2] However, to be both fair and accurate, senior-level defense dialogues with Indonesia, Malaysia, and Vietnam began to gain traction during the second term of the George W. Bush administration and were guided approvingly by Secretary of Defense Robert Gates. Counterterrorism, trade, and development provided central pillars of engagement, but by the 2007–08 period Washington also boasted increased security ties with the majority of Southeast Asia.

**President Obama clearly has raised the bar on U.S. interaction with the people, countries, and institutions of the region. But a steep change in the level and scope of activity has not necessarily been matched by a clear strategic impact.**

Nearly eight years later, President Obama clearly has raised the bar on U.S. interaction with the people, countries, and institutions of the region. But a steep change in the level and scope of activity has not necessarily been matched by a clear strategic impact. U.S.-Southeast Asian relations remain fluid, and despite many gains, the durability of relations remains subject to leadership decisions, sudden economic and political fluctuations, and security flashpoints. Opinion about the United States remains largely favorable today, but those opinions vary between and within countries.[3] And America no longer holds predominant economic sway.

Many in the region continue to question America's staying power and commitment. Likewise, rebalance skeptics in the United States wonder whether the time and energy devoted to Southeast Asia yields sufficient benefits to core U.S. interests. There is even fatigue with the regional habit of channeling multilateral diplomacy through ASEAN, which has the effect of creating lowest-common-denominator diplomacy, particularly when small regional countries disproportionately attuned to Chinese interests exert a braking effect on initiatives designed to summon a common resolve. Under Cambodia's chairmanship, ASEAN foreign ministers failed to agree on a communiqué for the first time in 45 years. The setback underscored the regional organization's inability to convert a 2002 Declaration of Conduct in the South China Sea into a binding Code of Conduct.[4] Although all 10 ASEAN members and China pledged in 2002 to enumerate specific areas of cooperation, rules of behavior, and potential means of enforcement, negligible progress has been made 14 years later.[5] China tends to view any binding agreement dimly, but the absence of an ASEAN consensus suggests limits to the Southeast Asian community. Even so, most Southeast Asian countries have welcomed the rebalance and want more, not less, U.S. engagement. To an extent that Beijing finds difficult to accept, the rebalance in Southeast Asia came in answer to private communication from regional leaders for more strategic attentiveness by the United States.

Costly ground wars in the Middle East and the accelerated rise of China were two of the drivers behind the Obama administration's pivot to Asia. The rebalance, as the pivot was quickly re-dubbed, was driven by a desire to shift the weight of U.S. international activity away from the futile and dangerous Middle East and toward the promise and dynamism of Asia, where great-power interaction has a different and more full-spectrum dynamic than the crisis-prone volatility of the Middle East. The president rhetorically has juxtaposed the problems of the Middle East with the promise of Southeast Asia in particular:

> "Contrast [the situation in the Middle East] ... with Southeast Asia, which still has huge problems – enormous poverty, corruption – but is filled with striving, ambitious, energetic people who are every single day scratching and clawing to build businesses and get education and find jobs and build infrastructure. The contrast is pretty stark.[6]"

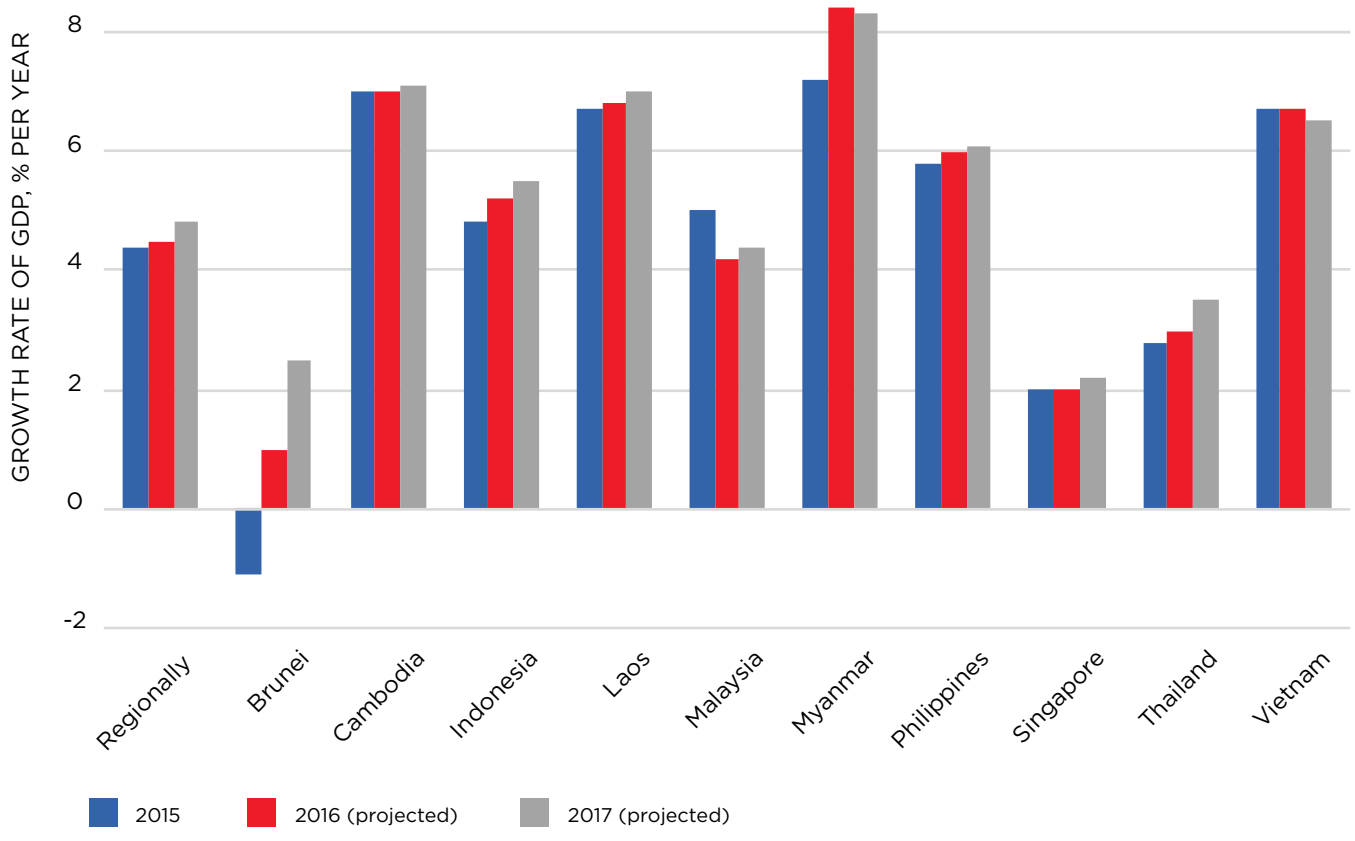
An opportunity and challenge for the next administration will be how to build on these new openings with Southeast Asia while circumventing the obstacles of sustained engagement with such a diverse region. In particular, there is an opportunity to convert greater activity into collective action and strategic impact. The Obama administration capped its two presidential terms of Asian rebalance this year with the Sunnylands leaders' summit in February.[7] The president's travel has taken him to more regional countries than his predecessors. Rounding

out his final year, President Obama plans to make his first visit to Vietnam in May and then become the first sitting president to visit Laos when he travels to Vientiane, capital of the region's poorest country, in September. The final months of the Obama presidency are likely to reinforce the importance of Southeast Asia for U.S. interests, even while the breadth of the agenda may appear overly daunting to an incoming administration. If the next administration is to elevate relations with Southeast Asia, then it will have to find a way to complete and build on the Trans-Pacific Partnership (TPP) to ensure that America's economic weight is fully felt in the region, shifting from maritime awareness to countering incremental changes to the status quo through coercion, sustaining diplomatic engagement but nudging it in the direction of effective institution building, advancing good governance without risking strategic objectives, and building up a powerful network to withstand political violence and extremism.

## Trade and Economic Development

At the broadest level, the prospects for further economic engagement are promising. Trade rewards drove the shaping of modern Southeast Asia, and trade remains the region's salient lure. American trade policy after World War II established the trade dependency and diversity of the region. Looking forward, tightly tethering the U.S. economy to regional trade dynamism and rising domestic consumer markets beckons. Not only is the wider Asia-Pacific destined to become home to more than half of the world's middle class, but Southeast Asia's largest and most populous nation, Indonesia, is on track to become the fifth largest economy in the world by 2030 – surpassed only by the United States, China, Japan, and India.[8] Meanwhile, Southeast Asian economies appear to be overcoming the effects of China's slowdown, and are poised to grow at 4.5 percent this year and 4.8 percent next year, according to the latest forecast of the Asian Development Bank.[9]

**Current and Projected Economic Growth in the Region**



Although Southeast Asia's dynamic economies and rising consumer markets should be attractive to all major powers, U.S. domestic politics appear increasingly protectionist. A popular show of disdain for bilateral and multilateral trade agreements with Asia and other regions could carry over into the next administration.[10] Because the TPP is ultimately more important as a geostrategic, rule-setting initiative than simply as a trade pact, the failure of fully bring it to fruition would stand in stark contrast to China's regional trade and development initiatives.

**Trade deals have to make economic sense, but the value of trade does not stop with dollars and cents. Trade is also another means of building relationships, cooperation, and trust.**

China has begun to develop its own answer to the Bretton Woods post-World War II multilateral lending system exemplified by the World Bank and sister institutions. China's initiatives are addressing important and common needs in Southeast Asia and the Asia-Pacific, where an estimated $6.5 trillion in new infrastructure investment is needed by 2020.[11] Beijing's establishment of the Asian Infrastructure Investment Bank (AIIB) and the Silk Road Economic Belt and the 21st-century Maritime Silk Road (also known as the One Belt, One Road concept) add new grist to the old saw that America has lost interest in Asia.

Whichever party forms the next administration, it must contend with follow through for the TPP. Implementing the recently installed 12-nation trade pact, and opening discussions about prospective second-round entrants, would immeasurably bolster America's standing in the region.

Conversely, a failure to bring the TPP to fruition would deliver a punishing blow to U.S. standing and credibility, especially among the initial stakeholders of the TPP, including four ASEAN members (Singapore, Vietnam, Malaysia, and Brunei). While trade is not a zero-sum activity, China no doubt would be the primary beneficiary of American hesitations.

Once seen simply as a logical next step in U.S. economic engagement, the TPP forecasts now have a more wide-ranging ambit. Earlier consensus within the United States about free trade has been crimped by mixed domestic economic trends and by rising living standards in many, if not most, Asian economies. Jared Bernstein, former economic advisor to Vice President Joseph Biden, says, "The economic populism of the presidential campaign has forced the recognition that expanded trade is a double-edged sword." [12] Bernstein and others argue that while expanded trade has improved access to goods and services and lowered consumer costs, there have been downsides, too: Global trade is perceived to be exacerbating the inequality chasm and wage stagnation trends in America; some trading partners have successfully gained an unfair advantage through currency manipulation; and the TPP and other recent trade deals are felt to have reflected more corporate and investor interests than the interests of workers.[13] For all these reasons, the TPP has encountered stiff domestic headwinds despite its potential to cement the improved American stature in the region.

The Obama administration has created a compelling template for regional soft-power initiatives for the next administration to strengthen and expand, including the expansion of new outreach and educational programs. The Young Southeast Asian Leaders' Initiative was launched in 2013 to attract some of the most promising young academics and professionals in the region. More recently, the U.S.-ASEAN Connect Initiative announced at Sunnylands aims to foster innovation, promote economic integration and join together commercial enterprises, and expand cooperation in energy and policy. The Connect Initiative is intended to reinforce larger patterns in economic and trade activity. Two-way trade in goods and services has risen threefold since the 1990s, reaching $254 billion in 2014.[14] More than 370,000 American jobs are related to U.S. goods traded with ASEAN. And the United States is the largest investor in the region. In 2014, the impact of $226 billion in U.S. foreign direct investment in ASEAN countries was greater than that of China, Japan, and Korea combined.[15]

These numbers illustrate how, despite popular distrust in some parts of the country regarding multilateral trade agreements, there remains solid evidence of the importance of smart trade accords. Columnist Thomas Friedman, whose own work often has described trends in economic interdependence and globalization, recently distilled the rationale for the TPP. Presently, far fewer goods from TPP partners enter the United States without a tariff than do U.S. goods entering those countries. The United States thus would benefit enormously by the TPP's removal of some 18,000 tariffs, and the promotion of duty-free trade when it comes to America's competitive advantage in the information technology goods and

*Shipping containers and ship-to-shore cranes in the Port of Jakarta, Indonesia. Collectively, Southeast Asia represents America's fourth-largest trading partner (Ian Teh/Panos)*

services sector. This would serve to further boost the U.S. economy, potentially enhancing the mini resurgence in U.S. manufacturing that has created about 900,000 jobs in the past five years. Finally, the TPP would boost workers' rights while creating new barriers to transnational crime.[16]

Trade deals have to make economic sense, but the value of trade does not stop with dollars and cents. Trade is also another means of building relationships, cooperation, and trust. For instance, trade can create useful diplomatic leverage in other areas. Just as dropping sanctions on Burma (or Myanmar) opened up trade and provided major incentives to help develop that country, the prospect of joining the TPP is a catalyst for reform in Vietnam. As President Obama put it, "We just moved the Vietnamese Communist Party to recognize labor rights in a way that we could never do by bullying them or scaring them." [17] Consequently, Vietnam is attracting foreign investment at a fast clip.[18]

More strategically, the TPP provides the leading alternative to China's trade agenda, especially the Regional Comprehensive Economic Partnership (RCEP). This 16-nation free trade agreement would reinforce weak standards of trade in the form of lower tariffs but offer no protection of intellectual property rights or from state-owned enterprises, or any environmental protections and worker rights. The United States has a clear interest in leading the way toward high-standard trading rules, not only among the 12 TPP participants in round one but for all wishing to pursue fair trade.

**While trade is not a zero-sum activity, China no doubt would be the primary beneficiary of American hesitations.**

Not all economic issues, however, are tied up with TPP and trade. Although the administration has sought to double down on a patchwork quilt of projects placed under the umbrella of a Lower Mekong Initiative, the next administration could use a much more focused, resourced, and sophisticated approach to economic development.[19] The immediate U.S. response to China's AIIB proposal cost the United States credibility without dissuading a single country from joining what Washington saw as undermining existing postwar development institutions. A blend of engagement to steer China-led initiatives in a more positive direction, coupled with reforms to existing institutions and more serious public-private partnership investment, could go a long way to bolster the soft power of the United States in the region.

Just as opportunities within Southeast Asia transcend purely economic issues, the challenges also defy purely regional solutions. Even if the next administration does everything right with respect to successful trade, investment, and economic development, there will remain lurking dangers from externalities. In particular, the top global risk, according to the Economist's Intelligence Unit, is "the sharp economic slowdown" of China, which the group rates as "high probability, very high impact."[20] A hard landing for the Chinese economy would immediately reverberate throughout Southeast Asia and affect U.S.-Southeast Asian fortunes, as well. The same might be true if conflict or major acts of terrorism within the region or elsewhere were to interrupt commerce and globalization.

## Maritime Security and Strategic Partnerships

The South China Sea remains a simmering and rising flashpoint. As China maritime expert and retired U.S. Navy Captain Bernard Cole observes, "Perhaps no body of water in the world is either more important to its surrounding region or the global maritime commons or more contested." [21] There is a critical intersection between continued stability in the South China Sea and economic development, given the regional and global reliance on the free flow of energy and other goods, as well as the shared use of marine and seabed resources. A major challenge and opportunity for the next administration will be building up a regional architecture that preserves stability while also providing a bulwark against unilateral changes to the status quo through coercion or force.

In the past two years China has chosen to engage in massive reclamation projects in the South China Sea, building up seven low-tide elevations or rocks into artificial islands to strengthen Beijing's territorial claims and fortify its defensive position. Erecting three runways on those land features, China also has begun to build other dual-use infrastructure, including the emplacement of radars on Fiery Cross Reef and Cuarteron Reef in the Spratly Islands. Having pledged not to militarize the South China Sea, President Xi nonetheless has deployed surface-to-air missiles and antiship cruise missiles on Woody Island in the Paracels. As China maneuvers fighter aircraft and conducts naval and maritime enforcement operations, Beijing appears to be poised to exercise sea denial and control over most of the South China Sea.[22] Regarding China's incremental moves, one analyst quipped, "China wants a bathtub."[23]

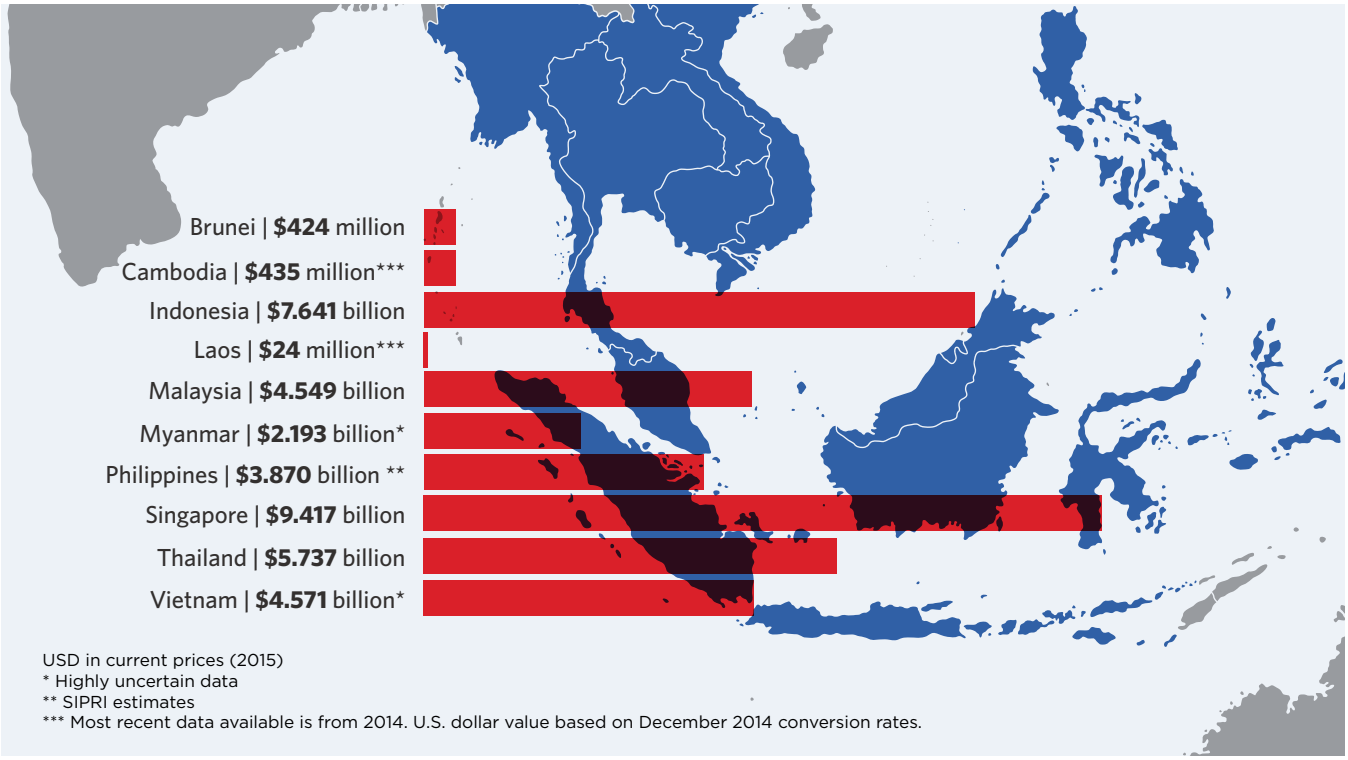
There is now a concern that the Chinese may be building up Scarborough Shoal after it muscled the Philippines out of the area during a tense standoff in 2012.[24] The bumpy relations with China over maritime tensions are not likely to settle during the remaining months of the Obama administration, confronting the next administration with starker choices about how firmly to press China on its encroachments in the form of island-building, militarization, and coercion.[25]

Current U.S. lines of efforts include both diplomatic and military efforts. The United States has increased diplomacy to preserve the rule of law and establish norms such as the peaceful resolution of disputes and the non-militarization of disputed areas of the South China Sea. Additionally, the United States has intensified its military presence, from increased anchorages in Singapore to new access in the Philippines, as well as a general commitment to basing 60 percent of the Navy's fleet in the Pacific by 2020. It has expanded bilateral and multilateral exercises, both in number and complexity, creating a wider regional network of security cooperation in which outside actors such as India, Japan, and Australia also work with others in Southeast Asia and building the defensive capacity of allies and partners.

At the core of the Obama administration's security-themed rebalance within the rebalance is an initiative to bolster maritime domain awareness and build partnership capacity. This Southeast Asia Maritime Security Initiative (MSI) is funded at $425 million over five years, beginning this year with $50 million of authorized spending, growing to $75 million next year, and holding at $100 million for the remaining three years. These increases are meant to build on existing security assistance to the region. The aim is to bolster the security cooperation and capacity of partners and allies in Southeast Asia, especially around the South China Sea littoral, including the Philippines, Vietnam, Indonesia, and Malaysia. The first year of MSI funding will focus on America's South China Sea claimant ally, the Philippines.[26] As the White House explained the purpose of maritime capacity building in Southeast Asia:

> "We are increasing the maritime security capacity of our allies and partners, to respond to threats in waters off their coasts and to provide maritime security more broadly across the region. We are not only focused on boosting capabilities, but also helping our partners develop the necessary infrastructure and logistical support, strengthen institutions, and enhance practical skills to develop sustainable and capable maritime forces."[27]

## Military Expenditure in Southeast Asia, 2015



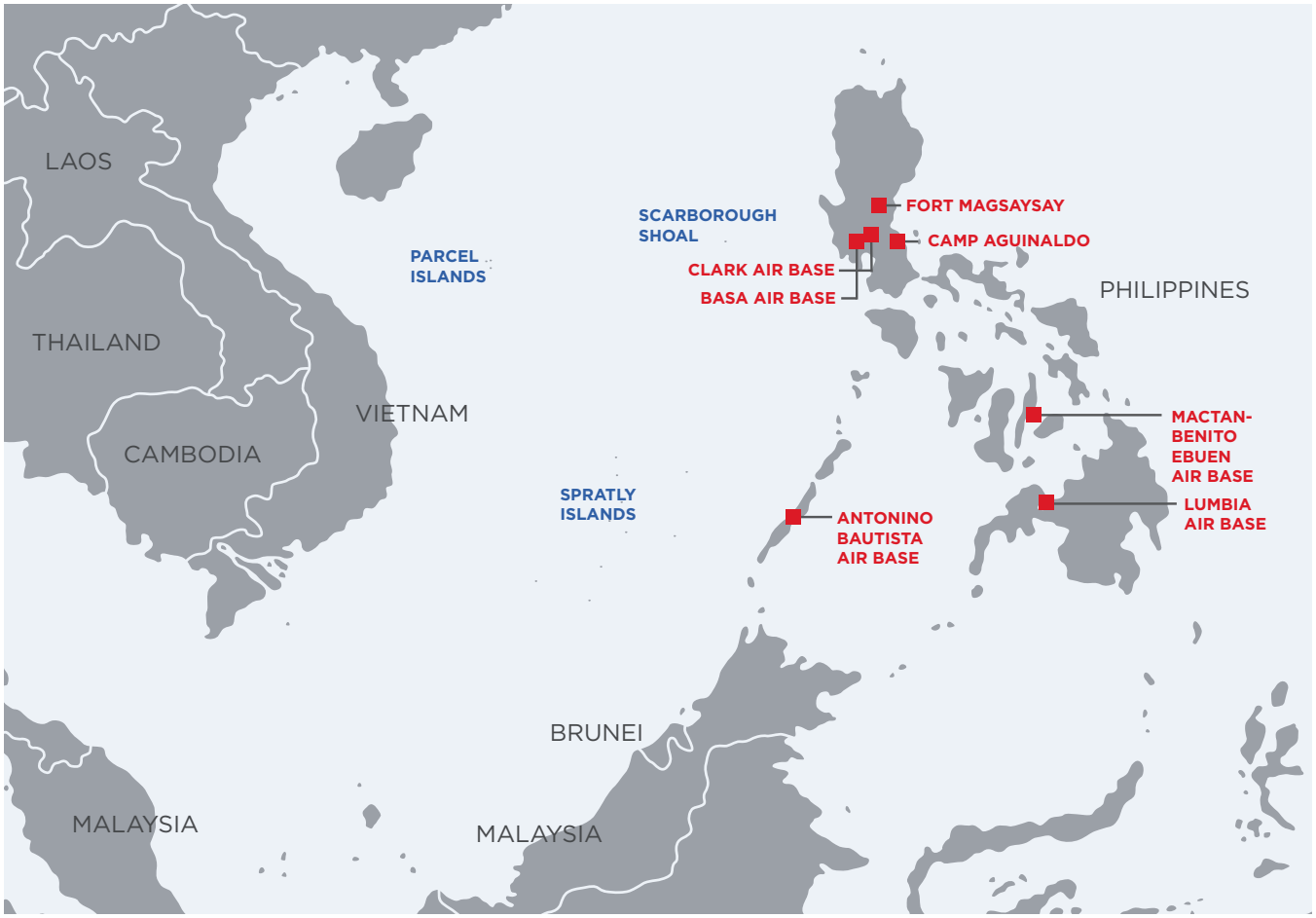

USD in current prices (2015)
* Highly uncertain data
** SIPRI estimates
*** Most recent data available is from 2014. U.S. dollar value based on December 2014 conversion rates.

Source: SIPRI Military Expenditure Database, (Stockholm International Peace Research Institute), www.sipri.org/research/armaments/milex/milex_database/milex_database; and International Institute for Strategic Studies, The Military Balance: The Annual Assessment of Global Military Capabilities and Defence Economics (Oxford: Routledge Journals, 2015).

Constructing a shared maritime domain awareness capability and encouraging intra-Asian security cooperation with other like-minded countries such as Japan and Australia are central to the stepped-up engagement program. Toward this end the United States is also increasing the number, size, and complexity of joint exercises with a number of countries.

A U.S. treaty ally, the Philippines is the largest beneficiary of maritime security assistance, receiving nearly $80 million from the United States in the current fiscal year, with most of the money invested in building the training and logistical base for the Philippine Navy, Coast Guard, and Air Force as they expand operations around the South China Sea littoral. Two C-130 transport aircraft, a third high-endurance U.S. Coast Guard cutter, and a research vessel to support research and law enforcement capabilities also are being transferred to the Philippines under the Excess Defense Articles program.[28] In addition, the United States is tapping into its Global Security Contingency Fund to help defray the costs of the National Coast Watch System and provide additional training and support for the maritime interdiction and law enforcement capacity of the Philippines. Further alliance cooperation is made possible by the 10-year access arrangements enshrined in the 2014 Enhanced Defense Cooperation Agreement (EDCA). The EDCA framework was ruled constitutional by the Philippine Supreme Court in January 2016, and U.S. officials have announced they will focus on activity in multiple locations.[29] During his April visit to Manila, Secretary of Defense Ashton Carter announced that U.S. troops and forces would be rotating through at least seven bases,

## U.S. Access to Phillippine Bases




Source: Tara Copp, "US to rotate more aircraft, troops through Philippines," Stars and Stripes, April 14, 2016, www.stripes.com/news/pacific/us-to-rotate-more-aircraft-troops-through-philippines-1.404418; and Trefor Moss, "U.S. Set to Deploy Troops to Philippines in Rebalancing Act," Wall Street Journal, March 20, 2016, www.wsj.com/articles/u-s-set-to-deploy-troops-to-philippines-in-rebalancing-act-1458466797?cb=logged0.9213867793950248.

including some 200 Air Force personnel returning to Clark Air Base. He also announced that the United States and the Philippines already had engaged in two joint patrols of the South China Sea and would continue to do so in the subsequent months and years.[30]

U.S. maritime assistance to Vietnam is focused on improving maritime domain awareness, bolstering C4ISR (command and control, communications, computers, intelligence, surveillance, and reconnaissance). There is a public road map available for thinking through how these efforts can construct a common operating picture and bring to the region the public good of transparency.[31] The United States is taking steps beyond information sharing and domain awareness. The administration's plan to partially lift the ban on lethal arms sales to Vietnam is meant to facilitate the transfer of systems primarily designed for maritime security. But these modest steps to improve hardware, coupled with exercises and training, are only the most visible manifestations of a growing strategic dialogue that eventually could lead to a far closer relationship. Officials inside the Obama administration have spoken of the idea of establishing a permanent military presence in Vietnam as a counterweight to China's military modernization and assertiveness. As one commentator noted after interviewing the president, "The U.S. Navy's return to Cam Ranh Bay would count as one of the more improbable developments in recent American history."[32] But by completely lifting the ban on arms sales, the next administration can work with Vietnam on a truly sustainable defense co-production capability aimed at shoring up Vietnam's maritime and air defenses.

Indonesian security assistance includes support for maritime and air patrols and law enforcement, ISR integration, and maintenance capacity in support of security, safety, and resource protection. Modest assistance to Malaysia is intended to support maritime domain awareness, law enforcement training, and interagency coordination. But security assistance faces numerous hurdles in the best of circumstances, especially in Southeast Asia. For instance, Indonesia wishes to preserve its role as an honest broker and non-claimant state in the South China Sea, and President Joko Widodo's vision for creating a "maritime fulcrum" is only recently starting to gain some depth and definition.[33] Indonesia has relished playing a mediator role in regional diplomacy, placing Jakarta at the center of Southeast Asia and leading ASEAN efforts to keep great-power interference and tensions at bay. Both Indonesia and Malaysia prefer to settle disputes with China bilaterally and without fanfare. However, officials in both Jakarta and Kuala Lumpur, increasingly anxious about China's incremental and expansive activities in the South China Sea, are quietly seeking further assistance from the United States as well as security cooperation with other Asian countries.

## Diplomatic Engagement and Institution Building

In the past, officials and intellectuals in the region have railed against the United States' lack of engagement with the region, much less building and supporting regional institutions, while U.S. officials have expressed concern that ASEAN too often seemed more like all talk and no action. The United States certainly no longer takes ASEAN for granted. For all its frailties and its lowest-common-denominator approach of needed consensus that exposes itself to divide and conquer tactics by China and others, ASEAN is increasingly integrated – as suggested by the establishment of a more than $2.6 trillion ASEAN Economic Community at the end of last year.[34] As one scholarly observer of ASEAN has written, "One could imagine ASEAN in the next few decades either as the wise counselor of Asia, or a marginalized relic of the past."[35] The question is what the next U.S. administration will do to improve its effectiveness as the former and hedge against it becoming the latter.

**The United States is far more active in Southeast Asia in 2016 than it was before 2009.**

The United States is far more active in Southeast Asia in 2016 than it was before 2009. President Obama's decision to join the Treaty of Amity and Cooperation in 2009 committed the U.S. head of government to attend annual East Asia Summit meetings in the region; and the president's Special Leaders' Summit at Sunnylands sets up a potential top-level 10+1 meeting, albeit not by that name. These summits require more advance work, which has resulted in both the secretary of state and secretary of defense and their staffs being increasingly engaged with Southeast Asian counterparts. The Obama administration is the first to send an ambassador to the ASEAN secretariat in Jakarta, a step that offers badly needed persistent engagement with the region's main institutional body.

The current administration not only has increased the frequency of high-level engagement with ASEAN-centered institutions, but it also has taken bilateral

*U.S. engagement with Southeast Asia has increased significantly under the Obama administration. Ties with ASEAN have strengthened, as evidenced by President Obama's attendance at the 2011 East Asia Summit, and U.S. bilateral relationships with countries in the region have expanded, as suggested by the new strategic partnership with Indonesia and the basing access agreement with the Philippines. (Reuters/ Jonathan Ernst)*

relations to new heights. Access and basing agreements have grown anew in Singapore and the Philippines, while U.S.-Indonesia and U.S.-Vietnam relations both established comprehensive partnerships before forging more strategic partnerships during the course of the Obama administration. The 2010 comprehensive partnership with Indonesia, the world's third largest democracy and 10th largest economy measured by purchasing power, was upgraded last October into an official strategic partnership to advance maritime security cooperation and other bilateral relations with the then-new administration of President Joko Widodo.[36] In July 2015, the United States and Vietnam agreed on a Joint Vision Statement during the historic visit by the general secretary of the Communist Party of Vietnam, during which both leaders highlighted mutual concern about the erosion of security in the South China Sea.[37] President Obama's visit to Vietnam in May will reinforce the enduring and strategic dimensions of U.S. relations with Vietnam.

The next administration will need to be wary about Southeast Asian states and ASEAN members merely multiplying the number of high-level meetings without producing tangible gains. ASEAN members already conduct more than 1,500 meetings per year, and that number is increasing as the institution matures and hosts wider regional meetings.[38] This is one reason the Obama administration sought to establish a leaders' meeting with ASEAN heads of government, as well as to use the East Asia Summit as a top-level agenda-setting forum. The United States may be a permanent Pacific power, but its senior officials work out of Washington, D.C., some 10,000 miles away. The George W. Bush administration initiated steps to strengthen trade and security ties with Southeast Asia, but these measures were generally overlooked in the context of a Global War on Terror. The skipping of several formal multilateral meetings by senior officials reinforced the perception that the United States was diverting attention from Asia to the Middle East.[39] In setting expectations of being fully engaged and showing up to every meeting, President Obama has raised the bar on engagement regardless of whether there are results to be gained. As Kurt Campbell, former assistant secretary of state and one of the key architects

**...the price of engagement has risen, and there is no going back to halfhearted engagement in the region.**

of the rebalance to Asia, puts it, the price of engagement has risen, and there is no going back to halfhearted engagement in the region. A President Hillary Clinton would likely be seen as providing great continuity with the rebalance policy, given that as secretary she made numerous trips to the region and helped to codify the pivot or rebalance policy around three pillars: increasing engagement; building trust with China; and expanding cooperation across economic, diplomacy, and security spheres.[40] Donald Trump's insurgent and isolationist campaign, in contrast, certainly has rattled governments around the globe.[41]

In sum, the next administration will need to be fully engaged in the diplomatic discourse of Southeast Asia while simultaneously avoiding becoming overcommitted. The effective use of top-level meetings will be the key to success. Supporting Southeast Asian countries in taking initiatives and working with like-minded countries, even when there is not a consensus among all 10 ASEAN members, also will be important for pursuing U.S. interests.

## Democracy and Human Rights

In the 1990s, the United States endured a raging debate over how strenuously to prioritize human rights and democracy in Asia. Now that both the unipolar moment of American triumphalism and passions about unique "Asian values" have faded comfortably into the past, it is worth noting that neither the United States nor ASEAN countries are showing an unblemished face of democratic governance. While there has been impressive progress in some areas, significant challenges remain.

One of the foremost examples – and perhaps early successes – of the Obama administration's pragmatic outreach to idealistic ends is the political change currently underway in Myanmar. Though few could have foreseen Myanmar's pace of change merely a decade ago, their democratic transition is still far from fully democratic. The fact that National League for Democracy (NLD) leader Aung San Suu Kyi has to rule through a surrogate highlights part of the problem.[42] Meanwhile, the new government of Myanmar still has its hands full with long-simmering insurgencies, national cease-fire negotiations, and ethnic strife. And then there is the Rohingya human rights problem of persecuted Muslims who are considered stateless, wanted in neither Myanmar nor Bangladesh. U.S. relations with Myanmar will continue to be held in check by the absence of progress in dealing with such important humanitarian and political issues.

While Myanmar is a story of promise facing steep

*One of the Obama administration's most lauded achievements was the opening up of Myanmar, which has ushered Aung San Suu Kyi and her National League for Democracy Party into the corridors of power. (U.S. Department of State/William Ng)*

hurdles, Malaysia faces the prospect of significant backsliding. Malaysian Prime Minister Najib Razak remains a stalwart actor in countering extremism, has expressed interest in moving forward with TPP, and appears to have no clear political successor. But questions are mounting over corruption allegations regarding the state investment fund 1Malaysia Development Bhd and mysterious foreign payments found made to Najib. [43] The government has not helped by trying to sweep matters under the rug and clamping down on journalists investigating the matter.

Indeed, governance concerns present challenges to U.S. engagement in many countries throughout the region. Thailand, a key ally, remains under military rule as the regime resists a swift return to civilian-led democratic government, not least because of the frail health of Thailand's 88-year-old King Bhumibol Adulyadej.

Vietnam, another of the 12 TPP states, is committed to a blossoming strategic partnership, even while the Communist Party rebuffed a more reform-minded leadership at its party conference earlier this year and continues to face criticism over censorship and human rights violations. Weak governance in Laos, Brunei's commitment to Sharia Law, and issues of corruption in Indonesia and the Philippines continue to bolster narratives of poor regional governance.[44] Even Singapore, the most economically advanced country in a region where many countries are still searching for the best model of economic development and governance, is not free from debate over freedom and its future government.[45]

While there are clearly ample reasons to press Southeast Asian countries on governance issues, the United States must do so with nuance; a recognition of its own decidedly blemished history; and actionable, bridge-building initiatives. When President Obama becomes the first occupant of the White House to visit Laos in September, for instance, he would do well to help promote educational exchanges to deepen mutual understanding while advancing action to deal with the lethal ordnance the United States dropped on neutral Laos during the Vietnam War. Secretary of State John Kerry, in an inaugural gesture, has sought nearly $20 million to step up bomb removal in Laos next year. Similarly, Fulbright Scholarships and other exchanges, as well as the Young Southeast Asia Leaders' Initiative, encourage civil society development; these relatively low-key and low-cost initiatives are invaluable to building understanding, goodwill, and a network of future leaders.

America can and should use its soft power to improve freedom and prosperity in Southeast Asia, as well as to deepen understanding and people-to-people ties.[46] In the current administration, official attempts to raise these value-laden issues have happened as a matter of course, without holding other relations hostage to them.

Others would argue in favor of a human rights-dominated and democracy-led U.S. foreign policy agenda, but such an agenda can clash with Southeast Asian nations' long predisposition to noninterference in the internal affairs of other countries. In advance of the Sunnylands summit, The Washington Post raised the specter of the United States "hosting a crowd of strongmen" in "an unseemly parade of dictators at the Sunnylands resort."[47] At the very least, this sharp characterization of the summit underscores the challenge of a president trying to leverage personal ties among Southeast Asian leaders in the pursuit of policies based on both U.S. interests and values.

Despite enduring problems with governance and human rights in various parts of Southeast Asia, diplomatic engagement is a minimum requirement for pursuing U.S. interests. After all, the United States continues to entrench more ambitious goals within our statutes and funded programs, often in the form of conditionality for assistance and training. But this conditionality must be measured, too, lest maximalist goals wind up marginalizing the United States while paving the way for a less liberal regional order.

## Counterterrorism, Political Violence and Transnational Crime

A last opportunity for expanding global and regional peace and security is to advance cooperation in counterterrorism, stem political violence and fight transnational crime. This is doable but not without the high likelihood of setbacks and risks. The crux of this challenge for the next U.S. administration intersects the degree to which the United States can manage cross-regional challenges by preserving a modicum of stability in the Middle East without becoming overcommitted and diverted from Asia, while also being attentive to working with Southeast Asian countries on a growing regional problem.

The last couple of years have witnessed a resurgence of radical Islamist ideology even in Southeast Asia. As author Jeffrey Goldberg summarized a recent exchange between President Obama and Australian Prime

> **... there was a clear consensus that the threats of terrorism and political violence will continue to grow but not pose existential threats in Southeast Asia.**

*Given the resurgence of radical Islamist ideology, the United States and Southeast Asian partners should expand collaboration to counter transnational flows of terrorists and weapons. One such way is through Cooperation Afloat Readiness and Training, an annual bilateral exercise series between the United States and Southeast Asian nations to enhance maritime security and operational cooperation across a spectrum of contingencies. (U.S. Navy/Mass Communication Specialist 1st Class Jay C. Pugh)*

Minister Malcolm Turnbull, "Obama described how he has watched Indonesia gradually move from a relaxed, syncretistic Islam to a more fundamentalist, unforgiving interpretation; large numbers of women, he observed, have now adopted the hijab, the Muslim head covering." When Prime Minister Turnbull asked the president why this trend has taken root, Obama blamed the influx of Saudi and other Gulf Arab money and imams into the country; consequently, "[t]oday, Islam in Indonesia is much more Arab in orientation than it was when he lived there, he said."[48]

In a roundtable organized by CNAS and the Asia Society Policy Institute, there was a clear consensus that the threats of terrorism and political violence will continue to grow but not pose existential threats in Southeast Asia.[49] The responses need to be calibrated to local circumstances, supportive of regional governments, and oriented toward both improving early warning and intelligence as well as counter-messaging. The administration is already working on these issues.

Assistant Secretary of State for East Asian and Pacific Affairs Daniel Russel recently outlined the variety of activities the Obama administration is presently pursuing to contend with terrorism, including bringing Southeast Asian countries into the anti-ISIS coalition. In particular, he stressed Singapore's support of civil society to address radicalization and recruitment, as well as Malaysia's counter-narrative or messaging center to stymie ISIS propaganda.[50]

Building on these programs will not garner as much attention as another terror attack, but steady progress can and should continue for obvious reasons related to national security and regional stability. One reason for optimism in countering terrorism: Political violence is markedly lower today in Southeast Asia than it was in the 1960s and 1970s. Half a century ago, Southeast Asia was beleaguered with insurgency, mass killings, and war. Today the outlook is much brighter. But transnational crime and jihadi-influenced terrorism reflect older rhythms, as in the gray area of intolerant Wahhabi Islamist notions spread by Saudi spending in the region ever since the 1970s.

## Seven Key Recommendations for the Next Administration

While future CNAS policy briefs will explore these recommendations in greater depth, there are seven crucial high-level goals the next president should pursue in Southeast Asia.

1. **Advance trade, investment, and economic development with America's fourth-largest trading partner:** The Trans-Pacific Partnership is critical to regional strategic engagement and setting the rules for the Asia-Pacific's future development. While the TPP requires additional remedies for some workers and industries at home, the failure to bring the TPP to full fruition would quickly be apparent to Southeast Asia, particularly after the likely completion of the China-led Regional Comprehensive Economic Partnership. The United States should not neglect the need to help the poorest Southeast Asian nations, which could benefit the most from relatively modest educational exchanges and assistance.

2. **Ensure adequate resourcing for the rebalance to Asia's security dimensions:** The next administration will need to ensure adequate financing and human capital for greater force presence, robust partnership capacity building, and meaningful maritime security confidence-building measures with the region to dampen the prospects of inadvertent conflict.

3. **Fashion a coherent maritime strategy:** The United States needs both a useful response to Chinese assertiveness and to genuinely reflect a regional wish for America's steady offshore presence. The next administration will need to fashion a strategy to do so – a key aspect of which will include constructing a common operating picture in the South China Sea to allow for transparency and information sharing across a spectrum of contingencies, as a cornerstone of partnership capacity building. Capable states such as Vietnam might become able co-producers of maritime and air defense equipment.

4. **Maintain active engagement:** President Obama has raised the bar on comprehensive engagement as the price of admission in working closely with Southeast Asia. The next administration will need at least to keep up with this more active pace of high-level meetings and engagement throughout the region. Using top-level meetings to set the agenda will be essential to ensuring that priority issues are addressed.

5. **Balance U.S.-China policy with more active engagement in Southeast Asia:** The next president will need to lead a policymaking apparatus worried less about losing ground to rising powers and instead more concerned with achieving an overall balance of power while building an inclusive, rules-based, comprehensive architecture. Imposing costs on bad behavior is needed, but the daily focus should concentrate on building a positive agenda.

6. **Keep democracy and human rights on the agenda:** Tightening comprehensive engagement with the region is necessary despite numerous and often major governance concerns. Through the implementation of well-designed, reform-minded, and nuanced exchange initiatives, the next administration can pursue U.S. values and interests at the same time.

7. **Strengthen counterterrorism cooperation:** The United States must expand and sustain effective support for intelligence cooperation and counterterrorism capacity among its regional partners. The next administration also will need to bolster local diplomatic and development efforts that counter radical narratives and deny misgoverned spaces throughout Southeast Asia, despite the likelihood of periodic instances of deadly political violence and terrorism.

At the time of writing this report in the spring of 2016, it would appear that the next occupant of the White House will have many opportunities and arguably more risks than President Obama confronted. Overall, however, the United States will be measured for its effective engagement, however nuanced, rather than a heavy-handed attempt to lay down the law or simply engagement for its own sake.

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