

The United States
and Southeast Asia
A Policy Agenda
for the New
Administration

*Report of an Independent Task Force
Sponsored by the
Council on Foreign Relations*

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LIST OF ACRONYMS

ABRI	Angkatan Bersenjata Republik (Armed Forces of the Republic of Indonesia)
ADB	Asian Development Bank
AFTA	ASEAN Free Trade Area
AIA	ASEAN Investment Area
AIG	American International Group, Inc.
AMF	Asia Monetary Fund
ANZUS	Australia and New Zealand
AP ₃	ASEAN + ₃ (members of ASEAN plus China, Japan, and South Korea)
APEC	Asia-Pacific Economic Cooperation group
ARF	ASEAN Regional Forum (formed in July 1994; 22 participants)
ASEAN	Association of Southeast Asian Nations (formed in 1967; 10 members: Brunei, Burma/Myanmar, Cambodia, Indonesia, Laos, Malaysia, Philippines, Singapore, Thailand, and Vietnam)
ASEAN-ISIS	ASEAN–Institutes of Strategic and International Studies
BAPPENAS	Indonesia National Planning Agency
BIMP-EAGA	Brunei Darussalam, Indonesia, Malaysia, the Philippines–East ASEAN Growth Area
CARAT	Combined Amphibious Readiness Training (U.S. Pacific Command)
CBM	Confidence-Building Measures
CEPT	Common Effective Preferential Tariffs
CSCAP	Council for Security Cooperation in the Asia Pacific
DPRK	Democratic People’s Republic of Korea (North Korea)

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EASR	East Asia Strategy Report (also known as the Nye report; U.S. Department of Defense)
EEZ	Exclusive Economic Zone (24 nautical miles; see UNCLOS below)
ESCAP	Economic and Social Commission for Asia and the Pacific (United Nations)
ESF	Exchange Stabilization Funds (U.S. Department of Treasury)
FAO	Foreign Area Officer (U.S. Department of Defense)
FSO	Foreign Service Officer (U.S. Department of State)
FDI	Foreign Direct Investment
FMF	Foreign Military Financing (U.S. Departments of State and Defense)
FMS	Foreign Military Sales (U.S. Departments of State and Defense)
GATT	General Agreement on Tariffs and Trade
GDP	Gross Domestic Product
GNP	Gross National Product
HK	Hong Kong
IBRA	Indonesian Bank Restructuring Agency
IBRD	International Bank for Reconstruction and Development (World Bank)
IDP	Internally Displaced Person
IMET	International Military Education and Training (U.S. Departments of State and Defense)
IMF	International Monetary Fund
IMTGT	Indonesia Malaysia Thailand Growth Triangle
INTERFET	International Force East Timor
IT	Information Technology
LNG	Liquefied Natural Gas
MILF	Moro Islamic Liberation Front
MNLF	Muslim Moro National Liberation Front

List of Acronyms

MPS	Maritime Pre-positioned Ship Squadrons
NAFTA	North American Free Trade Agreement
NGO	Nongovernmental Organization
OPEC	Organization of Petroleum Exporting Countries (Indonesia is the only member from Asia)
PECC	Pacific Economic Cooperation Council (formed in September 1980; 25 members)
PRC	People's Republic of China
ROC	Republic of China (Taiwan)
ROK	Republic of Korea (South Korea)
SEA	Southeast Asia
SEATO	Southeast Asia Treaty Organization (formed in September 1954)
SGT	Sijori Growth Triangle (Singapore, Jahor Baharu [Malaysia], and Indonesia)
SLOC	Sealines of Communication
SLORC	State Law and Order Restoration Council (Burma/Myanmar)
SPDC	State Peace and Development Council (Burma/Myanmar)
TAC	Treaty of Amity and Cooperation (signed in February 1976)
TEP	Theater Engagement Plan (United States regional military Commanders in Chief)
TNI	Tentara Nasional Indonesia (Indonesian National Military Forces)
UMNO	United Malays National Organization
UN	United Nations
UNCLOS	United Nations Convention on the Law of the Sea (held in December 1982)
USIA	United States Information Agency (Department of State)
VFA	Visiting Forces Agreement (United States and Republic of the Philippines)
WTO	World Trade Organization

FOREWORD

A quarter of a century has elapsed since the culmination of the war in Vietnam, a bitter experience whose imprint continues to shape a generation of Americans and whose impact is still felt on U.S. policy toward Southeast Asia and beyond. Whether it is the threat to global financial stability triggered by the 1997 Thai baht crisis, genocidal violence in Cambodia, humanitarian crisis in East Timor, political turbulence in Indonesia, or potential conflict in the South China Sea, the dynamism and volatility of this expansive region underscores its importance to American interests and global stability. Yet Southeast Asia remains obscure to and poorly understood by most Americans and—but for times of crisis—a backwater of U.S. foreign policy.

It was concern that untended problems in Southeast Asia can erupt into crises of global proportion that gave rise to this Independent Task Force.

The Task Force Report highlights that in the intervening quarter-century, Southeast Asia has successfully emerged from the vestiges of a colonial history characterized by economic or physical conflict over resource-rich battlefields. Prior to the 1997–98 financial crisis, countries once considered “dominoes” at risk of communist subversion emerged as great economic success stories, indeed, to many, a model for the developing world. Despite the economic vulnerability revealed by the financial crisis, most economies of the Association of Southeast Asian Nations (ASEAN), the ten-nation group encompassing the entire region, have shown impressive growth since mid-1999. Together they boast a large and vibrant regional economy and robust trading relationships, particularly with the United States, Japan, and China. A world-class, advanced industrial economy thrives in Singapore, and neighbors such as Malaysia evidence the clear potential to follow. Asian-style democracy now flourishes in Thailand and the Philippines, it is emerging gradually in Indonesia, and it may well

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spread elsewhere in the ASEAN bloc. Under the long-time leadership of Indonesia, ASEAN has taken root. Trade and investment, particularly with Japan and the United States, undergird the region economically.

As the ten nations of Southeast Asia progress clearly but unevenly into the global marketplace and in line with the information and technology demands of the 21st century, the United States has a unique opportunity to help shape the development of this region and the life of its peoples. U.S. leadership and active participation has made, and can continue to make, a difference. With early and focused U.S. involvement, overlapping Vietnamese-Khmer and internal Khmer conflicts were resolved, and Cambodia was rescued from its horrendous fate and peace was restored. With clear U.S. support, the carnage that was overrunning East Timor was contained. Conversely, absent unequivocal U.S. support, calamities like the collapse of the Thai baht and the Indonesian rupiah turned into worldwide financial contagion.

The risks of disengaging or remaining aloof are significant. Three times in the past sixty years the United States has allowed East Asia to slide from the national consciousness. Each time, the United States paid a high price in terms of lost lives, human suffering, and financial ruin. The facts of life surrounding the region are immutable. Southeast Asia spans an eighth of the earth's circumference. The ten nations there are home to almost 525 million people and over a \$700 billion gross national product. Collectively they are the United States's fifth-largest trading partner. There is also the immutable fact of the region's strategic geography: it sits astride some of the world's most critical sea-lanes, particularly the Strait of Malacca, through which nearly half the world's trade passes. This includes Persian Gulf oil that fuels the northeast Asian economies in Japan and Korea.

Of equal risk, should the United States disengage from or misread the region, is the potential damage to fledgling democracies across the region that need U.S. support. This is particularly true in the important but strife-torn nation of Indonesia. A flat economy, daunting challenges with government devolution, and incendiary unrest in Aceh, Irian Jaya, and Kalimantan plague

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leaders, businessmen, and citizens alike. U.S. presence, physically, economically, and institutionally, is stabilizing. The same is true for U.S. presence in other nations suffering from adverse domestic and international side effects of bad social and environmental policies.

Finally, the opportunities and risks resident across Southeast Asia are equally visible to the rest of the world. Many other nations seek, either subtly or demonstrably, to show their interest or influence in the region. Some, such as Australia, have immediate and positive influence. Others, such as India, are a longstanding but slowly evolving presence. Still others, most notably China, are raising their profile and interest in the region. U.S. presence in Southeast Asia provides a strategic balance and reassurance as well as a buffer for nations to use to diffuse tensions, clarify objectives, and establish mutually beneficial alliances. The United States can uniquely fill a critical void in constructive regional dialogue.

Recognizing the historically key and potentially unique role of the United States in Southeast Asia, and concerned about the mutual tyrannies of time and distance on the collective American consciousness, the Council on Foreign Relations sponsored the Independent Task Force on Southeast Asia in an effort to see if and where there is a galvanizing consensus on U.S. foreign policy toward the region. The prioritized Task Force Report findings and corresponding recommendations that follow are the result of the Task Force's studies and deliberations conducted at three meetings over a six-month period from September 2000 until March 2001. The Task Force, in both premise and composition, was largely an outgrowth of the 1999–2000 James J. Shinn series of roundtables convened in New York and Washington in an effort to bring together those most familiar with the security, economic, development, and social issues of U.S. foreign policy in Southeast Asia.

J. Robert Kerrey, former senator from Nebraska, graciously agreed to chair the Task Force. His personal interest in the region, stemming from his heroic service in the U.S. Navy in Vietnam where he was awarded a Medal of Honor, continued unabated for twelve years on the senate floor and on frequent successful trips back to

the region. We thank him for the leadership, insight, and commitment he brought to this effort. The Task Force was also invaluablely assisted by its co-chairs/project directors. This dual position was initially notably filled by Dov S. Zakheim, CEO of Systems Planning Corporation and an Adjunct Senior Fellow at the Council. Dov's concept for creating the Task Force and his instrumental work in forming the outline and text shape the report. When he had to step down on February 1 upon nomination for Undersecretary of Defense (Comptroller), the reins of co-chair/project director were ably handed to Robert A. Manning, the Council's C.V. Starr Fellow for Asia Studies and Director, Asia Studies. A former Adviser for Policy at the Department of State and correspondent for both *Far Eastern Economic Review* and *U.S. News and World Report*, Bob has the knowledge of the region and the writing skills to help immensely in completing the Task Force Report you now see.

The Council also gratefully acknowledges not only the transoceanic participation but the generous financial support of Washington SyCip. Born in Manila and a Pacific veteran of the U.S. Air Force in World War II, Washington has had an eminently successful business career all around Asia, both solo with his SVG Group, and later with Arthur Andersen. He is a member of the Council's International Advisory Board and a prime example of the value of engaged and educated U.S.–Southeast Asian relations. We thank him for his support.

The Task Force was comprised of twenty-six members and twelve observers. Collectively they represent the breadth and depth of years of American government leadership, business experience, and social service all around Southeast Asia. Their active participation and keen insights produced this consensus report. Task Force member Richard Solomon's short book *Exiting Indochina* and observer Robert Scher's provision of the Department of Defense East Asia Strategy Report helped initiate the Task Force discussions. In the subsequent process of bringing the report to closure, the Task Force was ably assisted at all turns by a research associate in the Council's Washington, D.C., office, Chikondi Mseka. In New York, additional research was ably performed by Marcia

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Sprules, Connie Stagnaro, and Michelle McGowan of the library staff, and Sarah Saghir, the research associate for the Military Fellows. Finally, the Task Force wishes to gratefully acknowledge the kind cooperation of the ASEAN Secretariat for specifically authorizing us to include Table 3, the Distribution of U.S. Foreign Direct Investment in ASEAN.

Leslie H. Gelb
President
Council on Foreign Relations

MEMORANDUM TO THE PRESIDENT

FROM: CHAIR, INDEPENDENT TASK FORCE ON
SOUTHEAST ASIA
SUBJECT: U.S. POLICY TOWARD SOUTHEAST ASIA

Mr. President, Southeast Asia, the venue of a conflict that has shaped an entire generation, is more volatile today than at any time since the Vietnam War. It is a troubling landscape of political turbulence and economic fragility. Most of all, the future of wobbly, democratizing Indonesia, the keystone of the region, is in doubt. As Secretary of State Colin Powell gears up for his visit to Southeast Asia during the July meeting of the Association of Southeast Asian Nations (ASEAN) Regional Forum, this is a timely moment for your administration to focus on a region that too often in the past has fallen off our radar screens, always to our peril.

Most recently, the July 1997 collapse of the Thai baht, an event that threatened to destabilize the world financial markets, was a chilling reminder of Southeast Asia's importance; the 1999 East Timor crisis is another tragic event that caught us off guard. In contrast, the 1990-91 peace process in Cambodia was a sterling example of how American leadership can make a difference. We believe your administration has an opportunity for a fresh start to shape a coherent, proactive approach to the region.

U.S. leadership and enlightened action in Southeast Asia in the critical period ahead can help stabilize the region, expand economic opportunity, and help states in transition, such as Indonesia and Vietnam, succeed. Absent our leadership, it is likely that political and economic conditions in many of these countries will worsen. Our Task Force believes it is in the interest of the people of the United States that we choose the first course.

A quarter of a century after the United States fought a wrenching war in Southeast Asia, the region still poses a complex challenge for American policymakers and for the public. Southeast Asia's

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importance should be evident: it is home to almost 525 million people, commands a gross national product (GNP) of greater than \$700 billion, is our fifth-largest trading partner, holds a position of great geostrategic consequence sitting astride some of the world's most critical sea-lanes (the Strait of Malacca, through which nearly half the world's trade passes), and features a growing number of emerging democracies.

Yet in a region that includes half the world's population, Southeast Asia tends to be overshadowed by China, Japan, and India. This should not be the case. The American experience in Asia—where we have fought three wars in the past six decades—instructs that we ignore the region only at great cost. Moreover, Southeast Asia is a locus of Chinese, Japanese, and more recently, increasing Indian political, military, and economic activity. Instability or, worse, conflict in Southeast Asia would have serious consequences for East Asia as a whole that could ultimately threaten U.S. vital interests.

This memorandum, which summarizes the deliberations of an independent, nonpartisan Task Force, is accompanied by the Task Force's full report. But we want to highlight three key points for your attention as you formulate your policies:

- *Southeast Asia remains important to American economic, strategic, political, and humanitarian interests, and while not in itself vital, holds the potential to trigger major crises absent sustained attention and cogent policies.* Whether it is financial events such as the Thai baht's unraveling, genocide in Cambodia, turmoil in Indonesia, or potential conflict in the South China Sea, developments in Southeast Asia can rapidly become matters of major global import. Conversely, well-conceived policies and timely action on the part of the United States and allies such as Japan and Australia can result in expanded economic opportunities and deepening democratization.
- *U.S. policy toward Southeast Asia has been viewed as unnecessarily ad hoc, overbearing, and reactive; it needs both a strategic context and a focus.* We must develop, articulate, and execute a better-integrated, more balanced, forward-

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looking, and proactive regional policy. The tardy U.S. response to the 1997–98 economic crisis, the regional perception of a “be like us” cookie-cutter imposition of globalization, and heavy-handed demands for reform and retribution in Indonesia have generated unnecessary resentment and resistance to U.S. leadership. This occurs as Asia-Pacific nations are searching for a regional identity and institutions. Infusing your policies with the humility you so refreshingly spoke of during the presidential campaign would go a long way toward strengthening our capacity for leadership and for policy coordination with our allies.

- *Indonesia, the world’s fourth-largest nation and biggest Muslim community, major oil and gas exporter, fulcrum of ASEAN, and the region’s most important state, remains in the throes of social, political, and economic instability.* These three forces form a vicious circle: political instability renders it difficult to emerge from economic malaise; economic malaise reinforces political and social tensions. The outcome of Indonesia’s efforts to meet the daunting and mutually reinforcing long-term challenges of revitalizing its national economy and fashioning democratic institutions will have immense regional and global consequences. Though U.S. influence is limited, enlightened policies implemented in concert with Japan and other allies can make a difference. An approach that embraces the principle of “first, do no harm,” prioritizes close cooperation with Japan on restructuring Indonesian debt, and finds ways to renew relations with an Indonesian military under civilian control offers a fresh start.

This assessment and these recommendations offer some guidance for more focused, better-integrated, and more valuable U.S. relations with Southeast Asia at a time of transition. The American experience in Asia suggests that inattention to dynamics and trends in the region and insensitivity to the contours of national and regional pride and desires are a recipe for unnecessary resentment and conflict.

It is in the national interest to prudently commit a larger share of our national attention and our national resources to Southeast

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Asia. Congress, the administration, business leaders, nongovernmental organizations (NGOs), and the foreign policy community must marshal, educate, and direct a more coordinated and sustained American involvement in the region. The current situation is ripe with opportunities; the cost of inaction or missteps may be considerable.

EXECUTIVE SUMMARY

Southeast Asia presents the United States with both an important challenge and an opportunity. American leadership and enlightened action in Southeast Asia in the critical period ahead will almost certainly help stabilize a region undergoing troubling political and economic turbulence. Absent our leadership, democratizing states may founder and economic conditions in a majority of the region's countries will likely worsen. It is in the interest of the people of the United States that we choose the first course. The July 1997 collapse of the Thai baht, which triggered a regional crisis that threatened to destabilize world financial markets, was a chilling reminder of Southeast Asia's importance; the 1999 East Timor crisis is another tragic event that caught the United States unprepared. The 1990-91 Cambodia peace process, on the other hand, was a sterling example of how American leadership can make a difference. We believe the new administration has an opportunity for a fresh start to shape a coherent, proactive approach to the region. As Secretary of State Colin Powell prepares for his visit to the area during the July meeting of the ASEAN Regional Forum (ARF), and as the administration considers President Bush's first trip to Asia for the October summit of the leaders of the Asia-Pacific Economic Cooperation group (APEC) in Shanghai, this is a timely moment to review the situation in Southeast Asia.

A quarter of a century after the United States fought a wrenching war in Southeast Asia whose aftermath continues to shape an entire generation, the region still poses a complex challenge for American policymakers and for the public. Southeast Asia's importance should be evident: it is an area with almost 525 million people, commands a GNP of more than \$700 billion, is the largest U.S. trading partner, and is home to a growing number of emerging democracies. Yet in a region that includes half the world's population, Southeast Asia tends to be overshadowed by China, Japan, and India. This should not be the case. The American experience

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in Asia—where we have fought three wars in the past six decades—instructs that we ignore the region only at our own peril. Current trends in the region remain troubling: it is more volatile than at any time since the Vietnam War. In several nations, especially Indonesia and the Philippines, the aftershocks from the economic crisis and rising political turmoil continue to make for fractious polities, fragile economies, and a loss of investor confidence. An undercurrent of rising political Islam in the archipelagic countries also bears close monitoring.

The unique historical place of Southeast Asia in the American experience only adds another layer to its already considerable importance to Washington: as an economic and political partner, and as a place of great geostrategic consequence sitting astride some of the world's most critical sea-lanes, the Strait of Malacca, through which nearly half the world's trade passes. Moreover, Southeast Asia is a locus of Chinese, Japanese, and more recently, increasing Indian political, military, and economic activity. Instability or, worse, conflict in the region would have serious consequences for East Asia as a whole that could ultimately threaten U.S. vital interests.

This report reflects the deliberations of an independent, non-partisan Task Force. It outlines the key findings of our assessment of the current situation in Southeast Asia and makes major recommendations for the direction the United States might consider taking. The Task Force's intention is to contribute to the new administration's internal policy reviews as well as to the general public discourse. Among our key findings are the following:

- *Southeast Asia remains important to American national security and prosperity.* Since 1948 we have recognized the dangers and promise of Southeast Asia and have sought to maintain regional stability free of domination by any hegemonic power or coalition. Southeast Asia is part of the network of bilateral alliances and access arrangements supporting U.S. forward-deployed forces that still serves as the de facto regional security architecture and that is essential to our global strategy. We also have ongoing interests in free and open access to critical sea-lanes and in supporting burgeoning democratization in the region.

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- *U.S. policy toward Southeast Asia has been viewed as ad hoc and reactive; it needs both a strategic context and a focus.* We must develop, articulate, and execute a better-integrated, more balanced, forward-looking, and proactive regional policy. The tardy U.S. response to the 1997–98 economic crisis, the perception of imposing a “be like us” or “one size fits all” version of globalization, and heavy-handed demands for reform, particularly in Indonesia, have generated unnecessary resentment and resistance to U.S. leadership across much of the region. This occurs as Asia-Pacific nations are searching for a regional identity and institutions and as China, with whom ASEAN states have outstanding territorial disputes, acquires greater economic, political, and military weight in the region.
- *America has a large and growing economic stake in Southeast Asia in terms of both trade and investment.* The United States is the leading trader with Southeast Asia, and after Japan, the second-largest regional investor. Successful implementation of regional free trade areas and encouragement of foreign direct investment (FDI), from both the United States and elsewhere, are critical for the elimination of poverty across Southeast Asia. We must encourage and help all nations create that balanced mix of tariffs, taxes, investment incentives, training, and workforce conditions necessary to attract further capital. At the same time, we must encourage environmentally sound long-term use of renewable and nonrenewable resources.
- *Indonesia, the region’s most important state, remains in the throes of political and economic instability.* Indonesia is the world’s fourth-largest nation, its biggest Muslim community, the only Organization of Petroleum Exporting Countries (OPEC) member in Asia, and the fulcrum of ASEAN. In the aftermath of the 1997–98 regional financial crisis and the resulting end of the regime of President Suharto, the country is wrestling with the daunting and mutually reinforcing long-term challenges of revitalizing a national economy and fashioning democratic institutions. Each requires a degree of decentralized political power. Economic inequities and political disenfranchisement

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have also fostered significant pockets of discontent and fanned nascent nationalism and separatism.

- *Democracy has made important gains in Southeast Asia but remains a fragile experiment.* Thailand and the Philippines pave the way. Both have over a decade of contested elections, freedom of the press and of assembly, a genuine separation of powers, and independent accountability institutions. The recent success of Thailand's National Counter-Corruption Commission in investigating Prime Minister Thaksin Shinawatra, the Philippines' smooth transition of power after President Joseph Estrada's resignation, and the constitutional manner in which the opposition has sought to remove President Abdurrahman Wahid in Indonesia, are all illustrative. At the other end of the spectrum are the closed and repressive State Peace and Development Council (SPDC) ruling Burma/Myanmar¹ and the communist parties directing the fates of Vietnam and Laos. These pose special challenges to both the United States and its ASEAN friends. *The rising role of NGOs in successfully addressing a host of regional issues such as education, public health, legal rights and governance, protection of human rights, and implementation of environmental safeguards cannot be overlooked.*
- *ASEAN has stagnated and lost cohesion since the 1997–98 economic crisis and its own expansion, but it is far from moribund.* ASEAN's failure to respond to a host of challenges in recent years—haze from forest fires, the financial crisis, the political coup in Cambodia, and the East Timor crisis—suggests its culture of consensus and shibboleths of “noninterference in internal affairs” require rethinking. Nonetheless, as a nascent security community and a collective political voice for Southeast Asia, ASEAN retains its importance as an economic and political partner for the United States, even as it must adjust to new

¹The U.S. government refuses to recognize the name “Myanmar,” referring to that country by its traditional name, “Burma.” All of ASEAN and most other states do accept Myanmar's self-designation. This Task Force Report will remain consistent with U.S. government policy and apply the name “Burma” throughout this report.

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circumstances. *A constructive U.S.-ASEAN response to an emerging China, accounting for the important roles that Japan, Australia, and increasingly, India play in shaping the region's political and economic identity, is also essential.*

- President Clinton's November 2000 visit to Vietnam underscored the potential for a new, reinvigorated American relationship with Vietnam, now the chair of ASEAN. The diplomatic and economic normalization with this country in recent years has laid a foundation for expanded economic, political, and security engagement with Hanoi.

The findings of the Task Force led the group to a corresponding set of policy recommendations, the crux of which we want to highlight:

- *The highest American priority should still be assigned to maintaining regional security through the prevention of intraregional conflict and domination by an outside power or coalition.* The administration should preserve a credible military presence and a viable regional training and support infrastructure. Security in its narrow sense remains the sine qua non for regional prosperity and growth. Other high-priority efforts should include periodic re-evaluation of the purpose and scope of all joint and combined military training exercises conducted in the region, as well as of individual and small group exchanges and training such as the International Military Education and Training (IMET) program. Finally, expanded bilateral arrangements such as ship repair in Singapore and cooperative naval efforts with Japan to stem piracy and smuggling should be aggressively pursued.
- *The administration and Congress must reinvigorate and reorient U.S. engagement with Southeast Asia by means of a coherent, comprehensive, more supple, and integrated approach to the region.* At the congressional level this policy should mandate formal bicameral reports with concrete policy suggestions based on annual fact-finding trips to the region by selected members of standing congressional committees (Appropriations, Armed

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Services, Foreign/International Relations, and Select Intelligence) and subcommittees (such as the International Trade Subcommittee of the Senate Finance Committee, the International Monetary Policy Subcommittee of the House Banking Committee, and the Trade Subcommittee of the House Ways and Means Committee), as appropriate. In the executive branch, this policy should mandate better coordination of the interagency process aimed at improving proactive policy options and crisis response for the full range of potential regional developments. Both congressional and executive policy and deliberation should be based on consultation with affected business groups and interested NGOs. Full engagement and proactive diplomacy also requires that our State and Defense Departments identify and train a more robust body of Foreign Service Officers (FSOs) and Foreign Affairs Officers (FAOs), respectively, in order to ensure resident regional expertise.

- *The United States should promote market-oriented economic reform, technology-driven development, and measures for poverty alleviation.* Recent regional advancements such as implementation of the ASEAN Free Trade Area (AFTA), new bilateral trade agreements with Vietnam, and textile trade quotas stipulating improvement of labor conditions in Cambodia are all ripe for expansion. Washington should foster measures to improve the investment climate, expand free trade in goods and services, improve access to credit, implement land reform, and facilitate entrepreneurship in both industry and the agricultural sector. Cooperation in improving education and job-training programs will enhance local ability to absorb transferred technology and better manage globalization. Bolstering the flagging APEC process for extending market opening and trade liberalization is an important part of this agenda.
- *The United States should take active steps to promote social stability and the rule of law and to foster an environment that diminishes the forces of ethnic and religious-based separatism and extremism throughout the region.* Washington can be a

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major contributor to social stability in Indonesia and throughout Southeast Asia, both directly and through NGOs, by supporting programs for ethnic and religious conflict resolution, for good governance, for bolstering civil society, and for combating transnational problems such as maritime piracy, smuggling, drug trafficking, forced labor migration, and environmental degradation. Stability can also be promoted via joint training and operations between the U.S. Navy and Coast Guard and their counterparts in the region, border monitoring, agricultural training and assistance, and, not least, cultural and scientific exchanges, educational grants, and scholarships, whose value cannot be overstated. All of these efforts require additional financial and human resources.

- *The United States must cease hectoring Jakarta and instead do its utmost to help stabilize Indonesian democracy and the Indonesian economy, as well as re-engage Indonesia's army.* U.S. support should focus on helping to instill "good governance" through avenues such as judicial reform and professional training, recognizing that this is a long-term process. Economically we should assist the International Monetary Fund (IMF) and ultimately the Indonesian Bank Restructuring Agency (IBRA) in mandating financial accountability and transparency. We should coordinate efforts more closely with Japan, particularly on the crucial issue of restructuring private debt. Integral to these efforts is the need to work in tandem with, not in opposition to, the Indonesian military (formerly ABRI, now known as the TNI).² The United States should help the TNI redefine its role in the new Indonesian political culture that is gradually taking shape and become a full practitioner of and adherent to professional civil-military relations. U.S. funding, training, and coordination with regional NGOs is essential to success in these efforts.

² ABRI is the old acronym for Angkatan Bersenjata Republik Indonesia (Armed forces of the Republic of Indonesia). It has been replaced by the TNI (Tentara Nasional Indonesia), the Indonesian national military forces.

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- *The administration should review its approach to ASEAN, which, despite its current malaise, remains an important interlocutor on security, economic, political, and social issues in the region. We should sharpen the dialogue with ASEAN to fashion a new agenda focused on concrete security concerns (particularly maritime piracy, smuggling, confidence-building measures, and regional peacekeeping), energy cooperation, and trade liberalization, as well as social problems (e.g., AIDS, refugee flows) and educational and human resource development. Better coordination of U.S. policies on these issues with NGOs, whose work encourages economic and democratic reform, would multiply their effects. The United States should carefully review ongoing experiments in multilateralism, particularly the ARF on security, APEC, and the AP3 (the members of ASEAN plus China, Japan, and South Korea), to evaluate their efficacy and goals. Additionally we should continue to support the spread of democracy and the rule of law in Southeast Asia but should do so more realistically and more deftly.*
- *The United States should pay close attention to other extraregional actors, carefully monitoring Chinese behavior in Southeast Asia and expanding coordination with Japan and Australia. We should also recognize that India is raising its profile in the region. Chinese diplomacy has been adroit in raising the ASEAN states' comfort level with regard to China's growing footprint in the region, though Beijing has not been reassuring on outstanding territorial disputes, especially in the South China Sea. Beijing's behavior should be monitored as a measure of its intentions, and we should avoid forcing Southeast Asians to choose between the United States and China. We should also enhance our coordination with Japan and Australia with regard to Indonesia.*
- *Finally, the Vietnam War remains an important reference point in the public mind with regard to Southeast Asia; Washington should therefore build on the warming of its political*

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and economic relations with Vietnam. To the extent that Hanoi is prepared to foster a more transparent, law-based climate that is more conducive to foreign investment, we should help. In particular, it is critically important that the administration work to expedite congressional approval of the U.S.-Vietnam trade agreement, which will facilitate Hanoi's economic reform process. We can also work with NGOs to promote democratic values and human rights in this economically struggling Leninist state.

This assessment and these recommendations offer some guidance for more focused, better-integrated, and more valuable U.S. relations with Southeast Asia at a time of transition. The American experience in Asia suggests that inattention to dynamics and trends in the region and insensitivity to the contours of national and regional pride and desires are an unnecessary recipe for resentment and conflict. It is in the national interest to prudently commit a larger share of our national attention and our national resources to Southeast Asia. Congress, the administration, business leaders, NGOs, and the foreign policy community alike must marshal, educate, and direct a more coordinated and sustained American involvement in the region, and should do so now. The current situation is ripe with opportunities; the cost of inaction or missteps is not slight. But the window of opportunity is closing. Failure to adequately address Southeast Asia now may sow the seeds for yet another international disaster in the not too distant future.

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INTRODUCTION

A quarter of a century after the United States fought a wrenching war in Southeast Asia, a war whose aftermath shaped an entire generation, the region still poses a complex challenge for American policymakers and for the public. Even putting aside the tragedy of the Vietnam War, it is difficult to acknowledge that such a large area (see Figure 1), with nearly 525 million people (see Table 1 and a \$700 billion GNP, that is our fifth-largest trading partner (see Table 2), could somehow be an afterthought in U.S. policy. This should not be the case, particularly in a part of the world where the United States has fought three major wars over the past six decades, and where the 1997–98 currency crisis threatened to destabilize the entire world financial system. But despite its intrinsic importance, Southeast Asia tends to be overshadowed by China, Japan, and India. It is an area that requires sustained attention from both Congress and the new administration. In the past, such attention has proved elusive except in times of crisis, and the consequences have been costly and tragic. The Bush administration enters the fray amidst a politically turbulent and economically fragile Southeast Asia.

The unique historical connection of Southeast Asia to the American experience only bolsters its already considerable importance to Washington: as an economic and political partner, as a place of great geostrategic consequence that sits astride some of the world's most critical sea-lanes (including the Strait of Malacca, through which nearly half the world's trade passes; see Figure 2), and as home to a growing number of democracies. Moreover, Southeast Asia is a locus of Chinese, Japanese, and more recently, increasing Indian political, military, and economic activity.

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Instability or, worse, conflict in Southeast Asia would have serious consequences for East Asia as a whole and could threaten vital U.S. interests.

Current trends in the region remain troubling. Southeast Asia had been an example of stability as well as of economic dynamism for nearly a quarter-century. This visible success made one of history's more precipitous financial collapses in 1997–98 seem all the more frightening. The unexpectedly swift, but soon uneven and slow, rebound for most of the region was almost equally surprising. The social and political upheaval that accompanied the economic collapse dealt a blow to emerging middle classes, particularly in the most affected countries, Thailand and Indonesia. The crisis also had unanticipated political consequences, unseating the regime of Indonesian President Suharto, transforming Indonesia into one of the world's largest fledgling democracies, and strengthening democracy in Thailand. The commercial and political potential of Southeast Asia remains large, although the challenges posed by instability have not dissipated. In several nations, rising political turmoil continues to cause a loss of investor confidence, and an undercurrent of rising political Islam in the archipelagic countries and in southern Thailand bears close monitoring.

Thus when the ARF, a regional venue for multilateral security dialogue, convenes in July 2001 with Secretary of State Colin Powell in attendance, it will be against a regional backdrop of tension, a sense of urgency, and promise for the future. The region, and most particularly Indonesia, has been in a state of flux since the financial crisis. Economic progress has been uneven and tentative among the major ASEAN states, with Indonesia perhaps the hardest hit and the slowest to recover. Political turmoil and social tensions persist in Indonesia and are manifest elsewhere in the region, notably in the Philippines. Moreover, the crisis in East Timor is far from resolved: it continues to demand human, military, and financial resources from our close ally Australia, as well as from the international community, and it complicates U.S.-Indonesian political and military relations.

Since the financial crisis, ASEAN has achieved a considerable measure of economic recovery, though the progress is still tentative.

One key indicator of this rebound is that the level of American private investment in most countries, Indonesia being the notable exception, is on the rise (see Table 3). U.S. corporations are once again increasing their exposure in much of the region, though on the whole foreign investment in ASEAN states lags significantly behind that attracted to Northeast Asia. The region remains economically important as a growing market, an assembly and production platform, and a major source of important natural resources, including petroleum and natural gas. ASEAN continues along an uneven glide path toward a free trade area, referred to as AFTA. Implementation of common effective preferential tariffs (CEPT) as AFTA's key trade mechanism has been delayed for selected products deemed sensitive by several members, such as Malaysia. More bullish trading nations such as Thailand and especially Singapore have signaled that their primary focus may shift, as it did in the 1960s and 1970s, outside ASEAN's boundaries.

The political trend in the region is that of democratization, albeit fitful, uneven, and with particular Southeast Asian characteristics. The 1986 "People Power" revolution in the Philippines and the fall of Suharto in Indonesia in 1998 helped usher in democracy in both of those nations, allowing them to join ranks with Thailand. More recent political turmoil in the Philippines and Indonesia has resulted in the ouster of two heads of state. This reflects an entrenchment of democracy and public accountability in the former and the beginnings of it in the latter. The political demise of Philippine President Joseph Estrada amid constitutional controversy made Western observers uncomfortable, though few doubted his shortcomings. His ouster was a reflection of the popular will, occurring amid widespread public outcry against high-level corruption and malfeasance heightened by economic malaise across Filipino society. The Indonesian parliament's recently initiated three-to-four-month structured investigation of alleged financial and political improprieties by President Abdurrahman Wahid will also almost certainly be conducted in accordance with established legal and constitutional procedures. On the other hand, despite a promising reopening of political discussions with opposition leader Daw

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Aung San Sui Kyi, Burma remains a brutal military dictatorship, the subject of international economic sanctions that command bipartisan congressional support in the United States. And in the former Indochina, only Cambodia has made strides toward political pluralism despite its many problems. The onset of the Internet age in neighboring Vietnam poses complex new challenges to an aging Leninist leadership still uncomfortable with its chosen path of market-oriented reforms.

Southeast Asia continues to retain its geopolitical importance to U.S. national interests and global strategy. The sea-lanes that pass through its territory remain vitally important to the economies of Japan and the Republic of Korea (ROK; i.e., South Korea), as well as to the United States and to China. The enduring American interest in seeking to prevent any hegemonic power or coalition from emerging within or outside the region still prevails. Thailand and the Philippines are formal treaty allies of the United States; Singapore is a close security partner and an important host to U.S. military assets. Over the past decade the United States has expanded its military cooperation with ASEAN states. Indonesia in particular has a 30-year record of close ties to America that, ironically, have been frayed as it has emerged from authoritarian rule. Yet, because Indonesia is the world's fourth-largest nation, with the world's largest Muslim community, and is the long-standing fulcrum of ASEAN, the future direction of its policy, its development as a democracy, and indeed its future as a state are of major global consequence to the United States. Lastly, Southeast Asia is the most likely source of any security threats, however remote, to Australia, a major U.S. treaty partner. Instability could include the potential for major influxes to Australia of refugees from East Timor or the Indonesian province of Irian Jaya. It is in the interests of the United States, Australia, and the region as a whole that Australia remain secure, stable, and actively engaged in regional issues.

China poses significant economic, military, and political challenges for the United States and for the nations of Southeast Asia. Most imminent is the economic challenge to ASEAN, as China's dynamic growth and large market has attracted the lion's share of

foreign investment in developing countries, much of which might otherwise have gone to ASEAN. Nonetheless, China has been cooperative on the economic front. Beijing has actively participated in fledgling efforts at forging pan-Asian trade and financial arrangements. China participated, together with Japan and the ROK, in the November 2000 AP₃ summit. There, for the first time, participants agreed to study regional free trade arrangements between Southeast Asia and Northeast Asia. The relation of the still-embryonic AP₃ to the transpacific APEC is not entirely clear and suggests an important item for the agenda of the U.S.-ASEAN dialogue as well as for the new administration in Washington to carefully review as it fashions its approach to multilateralism, global trade, and the international financial architecture.

The larger challenges arise from China's emergence as a political-military actor. China continues to modernize its military forces and to shift its focus southward. In particular, Beijing appears determined eventually to field a powerful "blue water" navy; in the near term its focus is on the South China Sea. China's actions stem from the 1992 Law on Sovereignty approved by the National People's Congress, which claims the entire South China Sea area as Chinese territory. This broad claim is incompatible with the rules of the United Nations Convention on the Law of the Sea, a treaty that China has acceded to. Nonetheless, China's economic and political-military diplomacy has become increasingly subtle and adroit. For example, while maintaining all its claims to sovereignty over the Spratly and Paracel island chains in the South China Sea—and rejecting calls for multilateral talks on the Spratly dispute—China has engaged other claimants in one-on-one diplomacy seeking to reach separate understandings. In addition, major state visits, like those of President Jiang Zemin to all ten ASEAN nations in the past three years, underscore China's growing diplomatic activity in the region.

Views of Beijing among the members of ASEAN vary from the more favorably disposed continental states (e.g., Thailand and Malaysia) to the more reticent archipelagic states (e.g., the Philippines and Indonesia). Most Southeast Asian capitals, however, no longer view Beijing with the sort of alarm that prompted the cre-

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ation of ASEAN during the height of the Cold War. Indeed, ASEAN views the growth of Chinese power as a political fact of life and sees China as a potential key partner in its own development.

Japan has long been deeply involved in the economies of most ASEAN states, most notably that of Indonesia. The late Prime Minister Keizo Obuchi also raised the issues of democratization, security, and economic prosperity with both Cambodia and Indonesia as part of his regional tour in late 1999. Yet Japan's ongoing political and economic malaise has tended to limit its profile in Southeast Asia. A more vibrant Japan might have been more politically active in the region during the past several years. Moreover, although Japan remains a major investor in the region, further expansion of its economic involvement has been constrained by its inability to reform its domestic financial institutions and to implement structural reform and deregulation of its economy. Still, Tokyo responded swiftly and decisively to the Asian financial crisis with both currency assistance and its still-debated proposal for an Asia Monetary Fund. Japan continues to have considerable exposure in Southeast Asia.

Although not part of the AP3 group, India is assuming an increasingly important profile in Southeast Asia, as it pursues a "Look East" policy. This includes expanding economic ties (particularly in information technology), cultural contacts, diplomatic engagement, and military activity (including exercises with Vietnam). The January 2000 visit of Prime Minister Atal Behari Vajpayee to Vietnam and Indonesia, the first by an Indian leader since 1994, was aimed at strengthening India's position vis-à-vis ASEAN, in which it is a "full dialogue member." ASEAN states appear to welcome Indian interest, which has developed alongside warming Indo-U.S. relations. Yet ASEAN states seek to avoid entanglement in any Sino-Indian rivalry, which is especially sharp in Burma where insurgencies and large refugee flows, particularly across the porous Thai border, have the potential for provoking wider unrest. Similar diplomatic acuity will be required from Washington, as well.

The United States historically has devoted much of its attention to the region on a bilateral, state-to-state basis, although it now engages ASEAN as a collective political entity on a wide range

of issues. Over roughly the past decade the presence and activity of NGOs has mushroomed, and a series of experiments have been launched involving new multilateral fora. These “track two” efforts, involving unofficial attempts to improve government-to-government contact, have become increasingly important and visible vehicles for Americans and Asians, official and private, to discuss issues of mutual concern and to address a rich agenda of regional challenges. These include stemming piracy and transnational crime, expanding education, improving health care, protecting the environment, addressing labor migration and refugee issues, and not least, guaranteeing basic human rights.

Numerous observers of Asian affairs have argued that in recent years Washington has not devoted sufficient attention to Southeast Asia or, when it has focused on the region, has done so in an overbearing manner, causing an erosion of U.S. influence in the region. Critics contend that the United States currently lacks a clear, coherent strategy to guide its engagement with Southeast Asia at both bilateral and multilateral levels. Instead, U.S. policy has often been characterized with short-term and episodic responses to crises, coupled by sporadic and often hastily and poorly planned official trips, many dictated by the annual bureaucratic ritual of the ARF and APEC meetings. Some point to considerable resentment, especially in Thailand and Indonesia, of America’s tardy reaction to the financial crisis. There is also periodic resistance around the region to what some Asian leaders perceive as U.S.-led notions of globalization, a concept that many Southeast Asians believe contributed to the financial crisis. All of this contrasts sharply with the image of strong U.S. leadership a decade ago, when we worked in close partnership with ASEAN and Japan to resolve the Cambodian civil war, helping put that ravaged nation on a new path.

Moreover, critics point to Washington’s recent heavy-handed demands for political reform and retributive transitional justice in Indonesia as insensitivity to that country’s history and delicate political climate. Some in the region and in the United States argue that Indonesia is undergoing what is likely to be a protracted effort to reinvent an entire political culture. At the same time Indonesia is wrestling with parallel institutional economic reform, devo-

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lution of political power to the provinces, and faltering international investor confidence. At such a tenuous time, overbearing American demands could prove profoundly counterproductive. Indeed, many Asians contrast America's limited and conditional responses with China's willingness to provide scarce resources of its own to help stem the region's economic free fall.

A new administration and a new Congress offer the possibility of a considered review and a fresh start. The July 2001 ARF meeting, as well as the November 2001 meeting in Shanghai of APEC leaders, which President Bush will attend, presents early opportunities for senior U.S. officials to set a new tone and agenda in Southeast Asian regional affairs. These formal meetings, and the informal and ministerial meetings that will precede them, offer Washington the opportunity to build a coherent U.S. strategy toward the region based on the critical role that American diplomacy and military power play in maintaining regional stability, the contribution that private enterprise and NGOs make to regional economic progress, and, not least, the humility in U.S. foreign policy that Bush called for during his presidential campaign.

This report, produced by an independent, nonpartisan Task Force, outlines key considerations in formulating policies to achieve these objectives. Its presumed audience is the larger American policy community that ranges beyond regional specialists and includes leaders in private enterprise, media opinion-shapers, as well as the policymakers in both the new administration and on Capitol Hill.

The Task Force Report's basic premise is that the region continues to be one of major importance to the United States and deserves a commensurate level of attention from leading voices in Congress, in the administration, and in the attentive public. A second premise is that an absence of such attention could result in regional dynamics with negative consequences for overall U.S. interests and fewer opportunities for American business; this absence may also create a power vacuum that others might seek to fill. These premises are elaborated in a series of findings outlined below. The findings are followed by a series of policy recommendations that the adminis-

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tration might wish to consider as it prepares President Bush for his first major encounters with the leaders of Southeast Asia.

FINDINGS

Southeast Asia remains important to U.S. national security.

Since 1948, when National Security Council strategic planning documents recognized the dangers and promise of Southeast Asia, the United States has sought to maintain stability in the region free of domination by any one hegemonic power. America's primary strategic interests in Southeast Asia remain unchanged. We seek to maintain free and open access to the sea-lanes in the Strait of Malacca and Lombok and to keep other key choke points in the South China Sea secure and safe for the navigation of all in accordance with international law. The United States has an abiding interest in stability, in expanding free trade, and in supporting the trends of democratization and political pluralism. The United States also has a stake in the security of key friends and allies in the region, notably Thailand, the Philippines, Singapore, and Indonesia, and just outside the region—i.e., Australia.

To achieve those ends, it is still vital for the United States to maintain a forward military presence in the East Asian region, anchored by the U.S. forward presence in Japan. Southeast Asia remains an important facilitator of the U.S. ability to project force globally, particularly in the vital Persian Gulf. Despite the loss of basing privileges in the Philippines in 1992, the network of bilateral relationships supporting America's military infrastructure in East Asia remains extensive. This includes the ability to bring units from all four services stationed at bases in Japan (including Okinawa) and the ROK into Southeast Asia for exercises, training, and crisis response in a variety of political and humanitarian activities.

Singapore's recently enhanced provision of facilities and services includes carrier anchorage, refueling support, dry dock, ship repair, and training opportunities. The Philippines, which had been host to U.S. forces at Clark Air Force Base and Subic Bay Naval Base, has once again opened the door for expanded training and

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support activities under the terms of the 1999 Visiting Forces Agreement (VFA). American forces also train regularly with those of Thailand, and less frequently with Malaysian units. Also of considerable importance is the regional support infrastructure from facilities in nations just outside Southeast Asia, particularly port and training facilities in Australia. The number of American port visits and training and exercise activities in Australia has been growing. The availability of expanded support on Guam, particularly for maritime pre-positioned ship squadrons, is also significant.

In the past there were close ties between the U.S. military and Indonesia's military (ABRI or TNI). These began to fray in the 1990s, particularly after congressional reaction to the 1991 massacre at Dili in East Timor. Relations have further deteriorated since the fall of Suharto. Nevertheless, occasional discussions have been held between U.S. and Indonesian officials regarding potential infrastructure support for American military units that might pass through Indonesia. One of the important challenges ahead for U.S. policy is to help encourage support, both among the public and among elected Indonesian officials, for fashioning a new and different relationship with the post-Suharto military.

U.S. policy toward Southeast Asia has been ad hoc and reactive; it needs both a strategic perspective and a focus.

American influence in the region has waned as a result of a mix of inattentiveness and imperious hectoring, and the perception if not the reality of a belated and inadequate response to the traumatic 1997–98 financial crisis. In addition, an American preoccupation with developments in East Timor distorted the overall U.S. approach to Indonesia and may have distracted policymakers from focusing on broader regional concerns. This was exemplified by our delayed and seemingly lackadaisical attitude toward Chinese encroachments in the South China Sea in 1995 and again in 1999.

The United States is often perceived to have a reactive or crisis-response policy toward the region, rather than one that is well considered, strategic, and sustained. There is also regional dis-

enchantment with perceived American zealotry in championing globalization, a “one size fits all” approach to economic, social, and political reform. This perception has generated a search for insulation from such pressures, one manifestation of which is the emergence of the AP3 forum. Leaders and nations often feel that difficult resource trade-offs and hard local political decisions are driven at speeds and costs that strain economies already destabilized from transition or reform.

As an example, America’s lack of planning and commitment was evident in the cases of Thailand and Indonesia. In July 1997, after having unsuccessfully tried to ignore the issue, the U.S. Treasury Department remained reluctant to prop up the collapsing Thai baht, only two years after the Treasury had successfully fought congressional opposition to the rescue of the Mexican peso. Washington failed initially to support the IMF’s August 1997 proposal for a \$17 billion bailout of Thailand’s economy, arguing that the potential damage was likely to be smaller, localized, and correctable through floating exchange rates and limitations on non-exportable investments. Thai baht reserves were initially considered adequate. Even when it became apparent that they were not, congressional pressure was significant enough to dissuade the Treasury Department from ever employing its Exchange Stabilization Fund to support Thailand.

Less than three months later, Washington was similarly slow to respond to the impending Indonesian economic collapse. The United States was arguably waiting for essential Indonesian decisions to implement IMF-directed and U.S.-supported austerity and control measures. Yet, in the interim, the Clinton administration developed neither a contingency plan nor a public support message in the event Indonesia balked or backed into a crisis. The timing of the eventual economic collapse coincided with damaging regional haze from hundreds of forest fires across Indonesia that threatened the health and economies in several neighboring Southeast Asian nations. This was further aggravated by ongoing reports of military abuses in East Timor and increasing intolerance of broader confirmations of corruption long perceived to be at the heart of the crumbling Suharto regime. By the time the

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crisis had played itself out, the rupiah-dollar exchange rate had fallen from 2,400:1 to more than 17,000:1, and the country's gross domestic product (GDP) declined by nearly 14 percent in 1998 alone. During the same two-year period inflation rose from 7.9 percent to a staggering 58 percent, devastating the emerging middle class and sharply increasing the number of Indonesians considered to be living below the poverty line.

Even when the United States was ready to assist, offering to contribute \$3 billion in October 1997 to the "second line of defense" to help bolster the Indonesian economy, the aid package was so rigidly structured as to be unlikely to be used. In February 1998 the IMF delayed approving a lending package because of Indonesia's ongoing attempts to introduce a currency board and to keep some failing banks afloat. Moreover, the IMF was insisting on unnecessary conditions, requiring cuts in government spending and reductions in subsidies to many programs before it would provide loans to forestall default. Many Indonesians applauded the tough stance the IMF (and, through it, the United States) took with Suharto; others, however, especially populist leaders, blamed the United States for the IMF delays and conditionalities. Critics saw the IMF as unnecessarily stringent and a creature of Washington, much the same as the view taken in Thailand. When the increasingly inept and unstable Suharto regime finally collapsed after more than 30 years of notable security and stability, the country, not surprisingly, added significant and widespread political and social instability to its recent economic dislocations.³ The emergence of the AP3 is in no small measure a reaction against what was perceived as a tepid American response to the financial crisis and a broader anxiety about U.S. templates of globalization.

³ It is noteworthy that although Thailand and ultimately Indonesia were prepared to accept IMF guidance, Malaysia refused to do so. Its prime minister, Mahathir Mohamed, an economic nationalist, frequently clashed with the Clinton administration, and his defiance of the IMF was often seen in the context of his friction with Washington. In fact, Malaysia suffered less from the financial crisis than did other states, a development that Mahathir was quick to argue resulted directly from his refusal to accommodate the IMF and the United States.

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Just as U.S. policy has lagged a half-step behind economic developments in the region, neither is it clear that the United States has fully come to grips with the evolving strategic balance there. The United States has closely followed developments on East Timor since Indonesia, forcibly and in spite of U.N. opposition, incorporated the former Portuguese colony as its 27th province in 1976. Yet Washington was almost as slow, and was certainly somewhat loath, in responding to the militia violence there in 1999 as it had been responding to Indonesia's economic crisis of the previous year. It was Australia that galvanized the international response to stop the killings of Timorese by Indonesian militias and troops, taking the lead in the formation and operations of INTERFET (the International Force for East Timor). Washington worked to win U.N. and Indonesian approval for the force but only reluctantly joined the operation itself, ultimately providing critical logistics, intelligence, and communications support to the U.N. forces deployed to East Timor.

East Timor has become not just a major political and human rights issue within the U.S. Congress but an ongoing humanitarian concern. Nevertheless, without belittling its significance, it should not be viewed as the only prism through which to see the entire Indonesia question, or as the most important strategic development in the region. Asia's major powers all have important and growing political, economic, and strategic stakes in Southeast Asia. Southeast Asia is in some respects a substage for Sino-Japanese rivalry in the Western Pacific and, to a growing extent, implied Sino-Indian rivalry in South Asia. Chinese behavior in the South China Sea compounds concerns about Beijing's posture toward Taiwan, raising fears about China's intentions. New Delhi's concerns about Chinese influence in Burma or potential confrontation, however remote, over the Nicobar and Andaman Islands also reflects similar concerns.

A strategic perspective on Southeast Asia must also account for pressing transnational security problems. Maritime piracy is perhaps the most prominent concern and has been on the rise throughout the past decade. Approximately two-thirds of all reported piracy attacks, which have nearly doubled in the past few

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years, take place in Southeast Asian sea-lanes. Many more attacks presumably go unreported for fear of increased insurance premiums or loss of business confidence. Together with smuggling, piracy yields physical and economic resources to fund regional insurrection, finances organized crime, and poses a serious economic threat to the region. Gang warfare has also colored ethnic tensions and has been facilitated by widespread smuggling of small arms. The activities of Chinese triads (gangs) are significantly on the rise in Southeast Asia, particularly in Thailand and Cambodia. Sexual trafficking and drug trafficking, which is expanding most notably in Burma, could destabilize neighboring Thailand and are another source of major concern for the United States. Logging practices in general, and specifically the contested cross-border harvesting of timber between Thailand, Malaysia, and Burma are another evolving source of both insecurity and economic instability.

The United States has a major and growing economic stake in Southeast Asia in terms of both trade and investment.

Over the past half-century, the United States has developed into Southeast Asia's leading trading partner, and its open market has been crucial for the region's economic development. The United States ranks as either the largest or second-largest trade partner for nine of the ten ASEAN states.⁴ It is not widely recognized that the United States exported three times as much in dollar terms to ASEAN as it did to either China or Hong Kong, and twice as much as it did to the ROK from 1997–99 (see Table 2). Only with Japan did U.S. trade levels exceed those with ASEAN. Moreover, indicating how critically important the American market is, the level of U.S. trade with Southeast Asia increased despite the economic downturn that began in July 1997, accounting for 20 percent of ASEAN's combined export earnings during the same three-year period.

⁴Burma is the exception, but the low trade levels with the United States are the result of a conscious sanctions policy by the U.S. government, rather than the absence of commercial interest in trading opportunities.

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U.S.-based companies are second only to Japanese firms as investors in Southeast Asia. Most Fortune 500 U.S.-based multinational corporations have significant economic interests in Southeast Asia. Export manufacturers with large operations there include Ford, General Motors, General Electric, Honeywell, 3M, United Technologies, Intel, and dozens more. The region is a major supplier of electronics and semiconductor chips for U.S. telecommunications companies such as Motorola. Apparel and shoe manufacturers with interests there include Nike (one-third of whose global production is in Indonesia alone) and major department stores such as Kmart, JC Penney, and Federated Department Stores. Major American energy corporations with significant regional operations include Exxon Mobil, Unocal, Freeport McMoRan, Newmont Mining, and Enron. Among the American-based service industries in the region are UPS, FedEx, American International Group, Chase Manhattan, Citigroup, Morgan Stanley, Goldman Sachs, and virtually all the major American hotel chains.

Direct investment by American businesses in Southeast Asia, especially in Thailand, Singapore, the Philippines, and Malaysia, likewise has begun to recover since the financial crisis struck. These four countries accounted for over \$35 billion in American investment in 1998, with Singapore alone receiving nearly \$20 billion. Investment has even begun to grow once again in Indonesia, albeit at a slower rate than those in the other four major ASEAN states. The recent American trade agreement with Vietnam is likely to spur U.S. investment flows in that country as well. (Table 3 shows direct investment by country and by year, pre- and post-crisis, across the region.)

FDI in Southeast Asia is critical for economic prosperity, social and educational progress, and, most important for all the ASEAN states, the elimination of poverty. The investment boom in the region in the decade prior to the financial crisis stimulated shifts in production from the textile and food industries into chemicals, machinery, and electronics. Singapore solidified its position as a major regional hub for transportation, telecommunications, and petrochemical refining and marketing. But only Singapore, and to a lesser extent Malaysia and Thailand, has taken

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active steps to create a balanced mix of tariffs, taxes, investment incentives, trade zones, and workforce conditions necessary to attract further capital. As a result, new investment capital has not flown as quickly as otherwise might have been expected or in the volume needed, especially to the less-developed and more recent members of ASEAN—Vietnam, Cambodia, and Laos. In Burma, the political situation and the resultant U.S. imposition of sanctions has been as much of a disincentive to U.S. investment as is the lack of conducive economic conditions. Investors, meanwhile, are already looking elsewhere: by 1999 annual flows of FDI to China surpassed flows to all of ASEAN. Continued growth in FDI and skilled jobs in China has already begun to come at the expense of ASEAN, both the newly industrializing and the least developed members.

Nonetheless, one important area for investment is the resource-extraction sector in ASEAN states. The ten ASEAN states are collectively home to some of the world's largest mineral reserves, notably tin, copper, and gold, and renewable resources such as rubber, coffee, hemp, and timber. Of special note are oil and gas reserves and production levels in Indonesia and Brunei. Indonesia, the only Asian member of OPEC, accounts for 20 percent of the world's liquefied natural gas (LNG) exports, and its reserves are still not fully known. New oil and gas fields are being discovered there, in Malaysia, in Vietnam, and in the Philippines.

Moreover, although the U.S. proposal for an APEC natural gas pipeline "grid" has yet to be acted upon, new pipelines are being planned and built within and among the ASEAN states. Examples include Indonesia's shallow-water pipeline from the Natuna Island fields to Sumatra, its pipelines to Singapore and Malaysia, and pipelines linking Burma and Thailand. This process will be driven by market forces, but over the course of the next decade or so the rapidly expanding use of natural gas will certainly see a gradually expanded pipeline network, perhaps connecting with south-western China.

Open ocean pipelines point to one aspect of the South China's Sea's economic and strategic significance. In addition, the economic importance of the sea-lanes from the Persian Gulf to Japan and

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Korea, and increasingly to China, which run through the heart of Southeast Asia, simply cannot be overstated. More than \$1.3 trillion in merchandise trade passed through the Strait of Malacca and Lombok in 1999. The economies of Japan and Korea, indeed of the bulk of East Asia, depend on the Persian Gulf for upwards of 75 percent of their oil and gas supplies. As a result, any disruption or dislocation of energy supplies would have an immediate and devastating impact on the economies of East Asia and would have significant secondary effects on the U.S. economy, as well.

Southeast Asia confronts serious social problems that could threaten regional stability and U.S. political, economic, and security interests.

All Southeast Asian nations have remarkably diverse populations, many of which are vulnerable to social strife, often due to historic forced resettlements. Ethnic Chinese communities, in particular, are part of a delicate socioeconomic and political fabric across Southeast Asia. Singapore's Chinese majority, 76 percent of the population, has been attentive to the needs of other minorities, and has consistently sought to provide them with political, economic, and educational opportunities. Thus, for example, it is no accident that the current president of Singapore, a former ambassador to the United States, is of southern Indian extraction.

Malaysia's ruling United Malays National Organization (UMNO) party has likewise courted the ethnic Chinese minority. Ethnic Chinese make up just under a third of that country's population but control much of its economy, and in the past they have been the victims of riots and attacks such as have marked recent strife in Indonesia. Indeed, without Chinese support, UMNO might not have remained in power in the face of more cohesive and more aggressive Islamic opposition. Social tensions continue to simmer beneath the surface in Malaysia, however, and have at times erupted, as was the case recently between the Hindu and Malay communities in neighborhoods around Kuala Lumpur. Malaysians are also sensitive to social strife in neighboring states, such as the Madurese and Malay race riots in Pontianak on Kalimantan in Indonesia. To date, Thailand has been a notable exception to the pat-

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tern of ethnic strife: it has successfully and peaceably integrated an ethnic Chinese minority, both politically and economically. Religious tensions have been an ongoing problem in Filipino society, as evidenced by the high-profile violence of Muslim separatist groups (e.g., the Muslim Moro National Liberation Front and now the Moro Islamic Liberation Front) and terrorist gangs (e.g., Abu Sayyef) in the southern Philippines.

Southeast Asia suffers from other social ills apart from ethnic tensions and regional separatism. Stemming the growth and distribution of poverty and increasing access to education remain the region's two greatest long-term challenges. Singapore's high per capita GDP and its successful leap into the status of a "first world" information-age society put it in stark contrast to any other state in the region. Poverty plagues major regions of Thailand, Indonesia, and the Philippines, as well as the four newer members of ASEAN (Vietnam, Cambodia, Laos, and Burma), and feeds regional discontent. ASEAN's newest members remain significantly underdeveloped. Although Vietnam in particular benefits from an influx of capital from its overseas (American, French, and Australian) diaspora, its ossified system of government discourages foreign investment and stultifies modernization. All four of these new ASEAN nations continue to suffer poverty, illiteracy, endemic corruption, and environmental neglect.

Public health also is a major challenge for many ASEAN states. Levels of HIV and AIDS are especially high in Thailand, Burma, and Cambodia but are significant throughout the region. In Cambodia alone, one in every eight soldiers reportedly is HIV positive. There has also been a rise in the incidence of waterborne diseases.

Environmental and natural-resource degradation significantly exacerbates problems of poverty, public health, and conflict across Southeast Asia. Rapid and unsustainable exploitation of nonrenewable or slowly renewable resources, such as forests, undermines the long-term economic security of the region. A large percentage of the economy of many ASEAN nations is dependent upon forests, fisheries, agricultural lands, and other resources. Both resource scarcity and inequitable resource access affect the liveli-

hoods of rural peoples in particular, often resulting in increased poverty or dislocation.

The region is also susceptible to major environmental disasters. The Indonesian forest fires and the haze they produced in September–November 1997, according to the Asian Development Bank (ADB) and the Indonesian national planning agency, caused an estimated \$9.3 billion economic loss. Environmental problems also feed conflict, both within and across borders. Problems of access to water, particularly along the Mekong River in Laos, Cambodia, and Vietnam, will become acute as upstream countries build dams that adversely affect the livelihoods of downstream fishermen and farmers. Vietnam's disastrous release of water from the Yali Falls Dam on the Sesan River last year caused deaths and property destruction in Cambodia. Providing ample quantities of unpolluted water for human consumption will be a challenge across the region in the years ahead.

Lastly, the growing numbers of workers, refugees, and internally displaced persons (IDPs) have created major social and political challenges for many states in the region, notably Indonesia, Thailand, and Malaysia. Indonesia reportedly has almost 1.5 million IDPs in Aceh, Sulawesi, the Moluccas, and Irian Jaya. The United Nations estimates that in the Moluccas alone there are between 500,000 and 570,000 IDPs. Malaysia is already the destination of choice for Indonesian migrant workers. Similarly, Thailand suffers from continuous and large influxes of Burmese migrants along its porous borders.

Indonesia remains both the region's most important state and the one facing the greatest challenges from ongoing political and economic instability.

In contrast with its focus on the independence referendum and humanitarian issues in East Timor, the United States has been less active in addressing the social, political, and economic strains that are pulling apart much of the rest of Indonesia. These three forces form a vicious circle: political instability renders it difficult to emerge from economic malaise; economic malaise reinforces political and social tensions. Indonesia today is reacting in various ways

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to the extreme centralization and authoritarianism of the Suharto period. Indonesia experienced similar challenges in the 1950s, when outright rebellions convulsed the country. This is not surprising in a developing nation of such commingled ethnicities, social frustrations, and inequitable resource distributions after three decades of authoritarian rule.

President Wahid faces two major separatist movements with different dynamics: in the westernmost province of Aceh, and in the easternmost region of Irian Jaya (West Papua). In addition, Muslim-Christian religious violence in the Moluccas (Maluku Islands) in north-central Indonesia, particularly on Ambon, could escalate and reverberate throughout the nation. Aspects of several of these conflicts have been aggravated by and are a reaction against the overcentralization and forced migrations conducted during the Suharto era. Hence it is essential that both the Wahid administration and outside powers take steps to encourage resolving these deep splits in a democratic manner that, nonetheless, preserves the basic cohesion and territorial integrity of Indonesia.

The specter of politicized Islam in the central government, while still relatively embryonic, continues to attract adherents. The potential risk this poses in the lower ranks of the army, where it could further aggravate often tenuous local stability, is not insignificant. (It must also be noted that Islam has several variants across Indonesia.) Islam is an important component of cultural identity in Aceh, the energy-rich province on the northwest end of Sumatra that many observers fear could declare itself a breakaway state. Despite this, the Acehnese rebellion against Jakarta is not primarily an Islamic movement; it has strong nationalistic (old anti-Dutch and now anti-Javanese) roots. In addition, Islam has not been the only factor undermining Aceh's stability. Recruiting for the long-suppressed Free Aceh Movement has benefited as much from local military atrocities, such as killings and the destruction of schools, as from religious or cultural ferment. Human rights abuses have clearly fueled separatist sentiments there.

In general, devaluation and high oil prices have staved off further decline of the Indonesian economy. It remains a diversified economy, although the failure to recapitalize its banking system

and thereby restore a degree of reliability to investment risk has led to a parallel economy. Many members of the ethnic Chinese middle class, who provided the backbone of the country's economic distribution system, have not returned to Indonesia after having fled ethnic strife. Those who stayed in the country and those who have returned are not fully re-engaged in the economic community. Many have sent their families overseas to Penang and, further afield, to Sydney or Vancouver, with no prospect of their return at any time soon. The banking system, a hotbed of corruption during the Suharto era, has yet to be restructured. Moreover, the financial crisis and attacks on ethnic Chinese prompted an outflow of Chinese investment funds that, if flowing back, are reported to be primarily in the form of shorter-term, liquid investments that can easily be repatriated at the first sign of new troubles.

President Wahid appears as a transitional figure. His missteps and shortcomings have created something of a power vacuum in Jakarta that has helped fuel a political power struggle, leading to two censures and possible impeachment. Wahid's supporters in the army have recently been fired or demoted, signaling the depth of the military's disenchantment. Wahid has thus far proved unable to root out cronyism within his own central government, including several cabinet posts, appointed positions in the central bank, and in the new and powerful IMF-directed IBRA.

The Indonesian armed forces remain a potent political force. Redefining the TNI's role in the new Indonesia is a work in progress. Once one of Indonesia's most visible national institutions, the post-Suharto military was reluctant to formally relinquish its 30-year-old state-recognized dual function (*dwi fungsi*) as both guarantor of national defense and security and participant in a variety of social and political matters. The TNI has, however, dropped its controversial claim to a role in political and social affairs and has formally acknowledged that it is responsible to civilian authority. The TNI then set itself the long-term goal of reducing its role in domestic security, proposing to leave this job to an independent national police, and focusing instead on national defense. It has begun a gradual reduction of its domestic structure, which parallels civilian government. All this is significant, yet much remains

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to be done. The TNI still obtains less than half its funds from the government budget, relying on businesses it owns for the remainder. Officers continue to wield significant power and influence in regions outside Java, particularly in the more outlying provinces. And amid a power vacuum, personal interests appear to be animating many military elements. Segments of the TNI appear, for example, to retain destabilizing ties with some of the West Timor-based militias that have been involved in many of the violent clashes and bombings there.

Military leaders resent the incessant criticism and investigations that followed in the wake of President Habibie's early 1999 announcement that he would allow a referendum on East Timor. The military, especially the army, has been uneasy with President Wahid's stated commitment to civilian control, his appointment of a naval officer as commander in chief, and the perceived weaknesses in his personal and political capacity to maintain national unity. Yet the Indonesian military remains essential to the country's future stability. The TNI most certainly must be reformed and brought under firm civilian control. Since the fall of Suharto, however, the United States has been unable to be a significant factor in any effort to reform the TNI. Old links with the military, which hark back to the Suharto era, have attenuated, while Washington has been a persistent critic of military links to the West Timor-based militias. Congress has refused to fund the training of TNI officers, and the U.S. military, wary of congressional rebuke, has been reluctant to schedule more than a few low-level training exercises with its Indonesian counterparts. As a result of this short-sighted policy, the United States has had little opportunity to help shape a new attitude toward civil-military relations in the TNI by training and encouraging them to be more accepting of civilian control.

ASEAN has stagnated since the 1997 financial crisis, but it is far from moribund.

ASEAN has evolved well beyond its original purpose as a Cold War response to threats of communist expansion in Southeast Asia. Politically, since the signing of its 1976 Treaty of Amity and Coop-

eration, ASEAN has been guided by its members' policy of non-interference in the domestic affairs of other member states. ASEAN's principal achievements have been to move from a state of tension and conflict among its original members to a nascent security community and to create a collective regional political identity and collective voice for engaging outside powers and the broader international community. The 1978 Vietnamese invasion of Cambodia catalyzed ASEAN and gave it cohesion. Beginning with the Vietnamese withdrawal and the Cambodia peace process from 1989–91, which coincided with the end of the Cold War, ASEAN has struggled to establish a new clarity of purpose and cohesion, economically as well as in terms of security.

It is in this context that ASEAN sponsors its regional forum, ARF, an experiment in multilateral dialogue that was established in 1994 and includes, among others, China, Japan, Australia, Russia, the Democratic People's Republic of Korea (DPRK, i.e., North Korea), the ROK, the European Union, and the United States. The ARF, a nascent effort at regional institution-building, has sought to establish confidence-building measures (CBMs) throughout the region, thus far with few consequential results. To date, the ARF is the region's only multilateral security forum and may hold the potential to evolve into a meaningful part of Asia's twenty-first-century security architecture. However, achieving this will require it to move beyond a vague "dialogue" and adopt a focused agenda to address concrete problems facing the region. If the ARF cannot shed its well-earned "talk shop" image and become more than a regional diplomatic venue, its *raison d'être* may be open to question.

ASEAN has also acquired an increasingly important economic role within the region. Spurred by the creation of the North American Free Trade Agreement, it initiated a plan to create its own regional arrangement, AFTA. Although delayed by the financial crisis, AFTA may largely complete implementing its tariff reduction program, CEPT, by 2002. ASEAN has also spurred the creation of an ASEAN Investment Area, though this has been slower to take off. Additionally, ASEAN has seen some progress in fostering cooperative energy development and technology

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investment. Such cooperation has found its way into several sub-regional initiatives such as the Southern or Sijori Growth Triangle (encompassing Singapore, the Malaysian state of Johor Baharu, and Indonesia); the Northern or Indonesia, Malaysia, Thailand Growth Triangle; and the Brunei, Indonesia, Malaysia, Philippines Eastern Area Growth Area (BIMP-EAGA).

Today, however, ASEAN is at a crossroads. Its decision to expand, adding Burma, Cambodia, Laos, and Vietnam, has created a multi-tiered grouping ranging from Singapore, a postindustrial economy, to the industrialized Malaysia and Thailand, to the Philippines and Indonesia as industrializing economies, followed by a fourth tier of less developed and decidedly nondemocratic new members. At the same time, the trend of democratization challenges ASEAN's political culture of not criticizing fellow members and noninterference in internal affairs. A chain of events beginning with transnational haze from forest fires, the financial crisis, a political coup in Cambodia, and tensions over Burma and, more recently, East Timor has underscored ASEAN's inability to respond to contemporary problems. Its culture of consensus has often resulted in inertia. To become more effective, ASEAN will have to rethink its traditional shibboleths and perhaps become more of a coalition of the willing that will boldly address emerging political and economic issues. The importance of emerging democracies with reformed electoral processes, more freedom of the press and information access, commissions on anti-corruption and human rights, and more accountable leaders, such as those elected in Thailand, the Philippines, and Indonesia, cannot be overstated. These countries are essential to redefining ASEAN: they offer leadership and example throughout the region.

The ASEAN penchant for process has led to the creation of another forum of uncertain purpose, the AP3. At its recent fourth meeting, the AP3 sanctioned expanded dialogue with China, Japan, and Korea. This potentially important mechanism is the only forum where the ASEAN nations and the generally larger and more industrialized nations of Northeast Asia can meet. Among the priority items on their agenda are expanding an agreement on currency swaps to reduce vulnerability to volatile financial markets

and discussing the creation of an East Asian Free Trade Area. More broadly, the agenda of this pan-Asian grouping suggests it has the European Union in mind as a possible model over the very long term. But the formation of the AP₃ raises questions about existing agreements, particularly how the AP₃ fits together with APEC and the AFTA accord. Neither ASEAN nor its dialogue partners have begun to address any of these issues, which the Bush administration should examine.

ASEAN also provides member states with a framework for interacting with other members of APEC, a wider forum of 24 states, as well as within the Pacific Economic Cooperation Council (PECC), both of which include the United States. Whereas PECC is a consultative forum with business membership, APEC is an intergovernmental grouping that brings leaders together annually and has contributed to wider regional stability. APEC has arguably prompted AFTA and other trade-liberalizing moves such as the May 1996 meeting in the Philippines that resulted in agreements to lower trade barriers and helped to facilitate progress in the General Agreement on Tariffs and Trade (GATT) and its successor, the World Trade Organization (WTO).

While Singapore is currently seeking a free trade area with the United States, ASEAN as a whole has rejected the idea, despite the fact that the United States is ASEAN's biggest export market and its largest source of imports. Instead, ASEAN prefers to consider a free trade area with China, yet again highlighting its desire to engage and accommodate Beijing to the maximum extent possible. Despite general advancement of AFTA, ASEAN remains collectively slow in enacting necessary changes in order to attract the trade and investment it needs and desires. The U.S.-Singapore free trade area should be actively pursued.

China's emergence will require an intelligent and constructive U.S. response in Southeast Asia.

It is not axiomatic that China will, in fact, threaten the integrity or stability of any Southeast Asian state, or of the region as a whole. Yet the ramifications of Chinese military activity both in and near the region will certainly be felt by its constituent states. Chinese

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military writings and statements are often bellicose and hint at a Chinese objective of displacing the U.S. role in the region. Moreover, China's military spending continues to increase by double digits annually, while military budgets of the ASEAN states are in decline. In Thailand and Indonesia, for example, after fifteen years in which defense spending accounted for 4 to 5 percent of GDP, it constituted only 1.5 percent of post-crisis GDP and was allocated largely to force structure and not to weapons or modernization. Despite projections of increased defense spending in most ASEAN nations in 2000, only Singapore has seen real dollar increases since 1997.

Unlike Vietnam, Brunei, Malaysia, and the Philippines, each of which claims some of the Spratly Islands, China claims all of the Spratlys.⁵ Moreover, concerns about China are not limited to its sometimes aggressive behavior in support of its territorial claim over the islands. That behavior, which includes an effort to prevent a united negotiating front on the part of the other claimants, as well as its 1995 occupation of Mischief Reef, which is claimed by the Philippines, is certainly cause for U.S. as well as regional concern. At times, China has also claimed Indonesia's Natuna Island.

China's territorial disputes with various ASEAN states are only a subset of long-standing territorial claims and counter-claims within the region. For example, the Philippines claims the state of Sabah in eastern Malaysia. Yet China's size, power, and influence cast its disputes with its Southeast Asian neighbors in a totally different light. It can choose to be the region's bully, and disputes with China can have consequences for all of Asia. For this reason, China's relationship with Taiwan also has a major impact on Southeast Asian stability. Their relationship affects regional security, regional trade, and regional economics as well. China has actively sought to limit support for Taiwan among Asian states, and most ASEAN states take a very low profile with what they regard as an internal Chinese affair. Broadly, however, ASEAN faces a

⁵ Taiwan also claims all of the Spratlys, but in the name of China. Its claim is virtually congruent with that of the mainland government.

similar dilemma to that of the United States: Where is the line between reasonable accommodation of China and acquiescence?

Australia, Japan, and India will play increasingly important roles in shaping the region's political and economic identity for the remainder of this decade and beyond.

Australia has for some time deliberated its regional role—whether it is “with” or “of” Asia. During the early 1990s, Labor governments pursued policies designed to enhance Australia’s involvement with Asia. In contrast, the conservative Howard government emphasizes Australia’s unique situation as an advanced industrial democracy, geographically close to Asia, but enjoying close ties with Europe and the United States. Both approaches are predicated on two common propositions. First, Australia’s primary security concern resides in Southeast Asia; good relations with its closest neighbors are therefore a primary objective. Second, Australia relies heavily on its strategic alliance with the United States, and it therefore seeks to harmonize its policies with those of Washington.

Australia supports American military exercises and visits, especially to northern and western Australia, and continues to work closely with Washington on East Timor issues. Our joint focus on East Timor should be part of an overall policy mix as the United States and Australia continue to focus attention on Indonesia’s complex challenges. Canberra’s limited military and economic resources are under considerable strain, however, not only from the demands of the Timor operation but also from Australian commitments to other areas, including Bougainville in Papua New Guinea and the Solomon Islands, and its wider support for international peacekeeping. Moreover, Australia’s role in the region is not without controversy or criticism, notably from Malaysia and Indonesia.

Japan has long been an important actor in Southeast Asia, though somewhat constrained by the burden of its history. For more than a decade prior to the financial crisis, Japan was the largest single-nation trade partner for most of the ten ASEAN nations. Japan’s ongoing economic slump and avoidance of domestic reform has meant that despite its having provided the region with \$30 billion

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in financial assistance, Tokyo has not been as active in supporting regional economic recovery as it might otherwise have been.

Japan is the world's second-largest economy and still accounts for more than 50 percent of Asian economic activity. Japan is also the largest investor in Southeast Asia. In tandem with the United States, Japan is the first- or second-largest trading partner of nine of the ten ASEAN nations. Japan remains a major regional player, clearly justifying its inclusion in the AP3 discussions. In addition, the Japanese naval goodwill visits to the South China Sea and its intention to join maritime antipiracy initiatives reflect a new trend of change in Japan's security culture, one indication of which was evidenced in the 1997 Defense Guidelines agreement with the United States. Nevertheless, many in ASEAN still harbor a historic mistrust of Japan and instead tend to lean toward China as a credible Asian counterweight.

For many years India's affinities with Southeast Asia were primarily cultural, via scattered Hindu communities throughout the region, most notably on Bali. During the 1990s, as the Indian economy began to take off, more money from Southeast Asia found its way to the subcontinent, though investors primarily, but not solely, of South Asian origin. In the past few years India has raised its political, economic, and military profile in the region, in terms of interaction with ASEAN and in its operations in the eastern Indian Ocean. India's interaction is still relatively modest, though it conducted exercises with Vietnam during the summer of 2000. Several key ASEAN nations, notably Singapore and Indonesia, favor greater Indian involvement in Southeast Asian cooperative security efforts, such as the ARF, in order to balance Chinese political influence. India's economic interaction with ASEAN states is also steadily increasing.

Democracy has made significant gains in Southeast Asia but has not advanced uniformly throughout the region.

Despite all its troubles, Indonesia in the post-Suharto era remains committed to democracy and human rights. East Timor is no longer an Indonesian province. The TNI is led by a civilian minister of defense committed to reform of the military and its subordina-

tion to the rule of law. Wahid was elected president through a democratic process. The Indonesian attorney general, a longtime human rights advocate prior to taking office, is working with U.S. government officials and NGOs to implant the rule of law in Indonesian society. Plans for devolution of authority and resources to Indonesia's outlying regions continue to move ahead. These are important gains for Southeast Asia's largest state and for the region as a whole. But its transition must be viewed as a long-term process, not a momentary event.

Democracy has also deepened in Thailand since politically active students, supported by the middle class, helped usher in reform after bringing about the collapse of the heavy-handed Suchinda government in 1992. In the Philippines, the rebellion by pro-Estrada opposition forces sparked by the ex-president's arrest has stained President Gloria Macapagal Arroyo's recent assumption of office and the intervention of the Philippine Supreme Court, both of which were colored by the energy of People Power Two. Yet Estrada's resignation in the face of press reports that he enriched himself by \$300 million while in office originally stemmed from his impeachment, which was based on a carefully laid out constitutional procedure.

Both Thailand and the Philippines benefit from freedom of the press and of assembly. In addition they each hold regularly contested elections, have a genuine separation of powers, and have made noteworthy progress in creating independent institutions of accountability. Thailand's National Counter-Corruption Commission has charged incoming Prime Minister Thaksin Shinawatra with intentionally concealing assets. A constitutional court will try the case. It is also hard to believe that less than fifteen years ago, the Philippines was still led by an autocratic dictator.

Despite its advances in some states, however, democracy has yet to envelop the newer members of ASEAN. Communist parties still dominate Vietnam and Laos, as they have since at least 1973. Neighboring Cambodia's government, also dominated by former communists, assumed power in 1993 under less than salutary circumstances. It still employs a mixture of intimidation, sporadic violence, political maneuvering, corruption, and control of state

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institutions to retain its power. Burma's ruling SPDC, formed in 1997 from the purged and reorganized State Law and Order Restoration Council, remains a ruthless dictatorship. In 1990, two years after a peaceful nationwide uprising and an election in which the populist party, the National League for Democracy, won 88 percent of the seats, the military junta annulled the results and tightened both internal censure and international access. The SPDC continues to be quietly defied by Nobel laureate Daw Aung San Sui Kyi, the leader of the National League for Democracy. Only in the last several months has the SPDC shown any interest in relaxing Sui Kyi's house arrest or in opening up political dialogue. Thawing relations remain tenuous, and the SPDC is very much in control.

NGOs have become increasingly important actors in Southeast Asia.

Although many international NGOs operate in Southeast Asia, increasing financial support from foundations and increasing media and public awareness have enabled local NGOs to multiply across ASEAN in recent years. NGOs were an important factor in the Australian and U.S. response to the crisis in East Timor and, until recently, successfully kept the U.S. Congress focused on the plight of thousands of East Timorese who remain in camps and as displaced refugees in West Timor. NGOs are involved elsewhere in Indonesia, notably in Aceh, where they are providing support for local conflict resolution. NGOs help distribute potable water and foodstuffs and provide shelter and medical support to a variety of disadvantaged groups, such as displaced persons, pregnant women, and the elderly. They also provide a forum for alternative dispute resolution. NGOs work with the attorney general's office in Jakarta and with regional bodies to prepare localities for the planned devolution of power from the central government.

NGO activity in the region is not limited to Indonesia. As noted, the democratic successes in Thailand and the Philippines are enhanced by NGO activities such as those carried out by the Philippine Center for Investigative Journalism and those training Thai-

land's National Counter-Corruption Commission. Human rights groups have also long focused on Burma, providing support and international attention for the National League of Democracy, and for Sui Kyi in particular. Many other NGOs operate throughout Southeast Asia, providing education, monitoring, and support on a wide range of critical social and economic issues such as public health, environmentally sustainable development, improved agricultural techniques, and increased access to basic and advanced education.

The Clinton visit underscored the potential for a new and reinvigorated U.S. relationship with Vietnam.

It is just over a quarter of a century since U.S. forces departed from Vietnam. President Clinton's visit to Vietnam in November 2000 and the signing of the U.S.-Vietnam trade agreement open a new chapter in our relations with that country. American strategic interests did not come to an end with the defeat in Vietnam and the Paris Peace Accords in 1973. These interests remained even during the decades when demands for accountability on missing or imprisoned U.S. troops and civil wars and ethnic purges in Vietnam, Laos, and Cambodia captured the attention of those who did focus on the region. These interests are as important as ever to the United States at the turn of the new century. Vietnam has assumed a much higher profile in the consciousness of American policymakers and retains public resonance.

Vietnam recently took over the chair of ASEAN, thereby acting as a representative of the entire region. Already Vietnam is the most outspoken of the new ASEAN members and was a key force behind the association's recent agreement to give priority to closing the economic gap between old and new members before moving forward with cooperation outside the regional grouping.

Despite the nature of its current regime, Vietnam, like China, is a society in transition. Free enterprise and the information economy continue to make strides, especially in the south and the Ho Chi Minh City metropolitan area. It is this region that was home to many Vietnamese residing in the United States and it is a particular magnet for overseas Vietnamese investment and tourism. Vietnam's economic growth, like its size and human

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resources, outstrips that of its neighbors Cambodia and Laos and is likely to do so for the foreseeable future. The pace of economic reform in Vietnam may be affected in some measure by the U.S.-Vietnam trade agreement. The accord is structured as a roadmap for market liberalization of key sectors in the Vietnamese economy. Unfortunately, delay in congressional approval of the bilateral trade agreement has begun to strain U.S.-Vietnamese relations. Obtaining rapid approval of the trade accord is an important challenge inherited by the Bush administration in part because of Vietnam's two-year delay in finalizing the agreement.

Vietnam is of significant potential strategic interest to the United States. Neither the United States nor ASEAN seeks to or would benefit from placing Vietnam in the middle of any U.S.-China disagreement. However, Washington is well aware of traditional animosities between the two states, which were most clearly manifested when China invaded Vietnam in 1979 and which influence current underlying tensions over the Spratlys.

The United States is especially appreciative of the strategic value of the deep-water port and facilities at Cam Ranh Bay, which was a major U.S. naval and air staging facility during the Vietnam War. The Russian lease on the bay's facilities is due to expire in 2004, and it is not clear whether it will be renewed. Washington has shown some interest in a ship visit, but so has China. Indeed, in November 2000, a Chinese naval delegation visited the Vietnamese military region in which both Cam Ranh Bay and the disputed Spratly Islands are located. The United States has yet to officially express any interest in access to the Cam Ranh Bay facility.

RECOMMENDATIONS

The highest priority should be given to maintaining regional security by seeking to prevent intraregional conflict or domination by an outside power or coalition.

To this end, the administration should ensure the preservation of both a credible military presence and a viable regional military training and support infrastructure.

United States and Southeast Asia

Security in its narrow sense remains the *sine qua non* for regional prosperity and development. Since World War II, the United States has preserved regional security primarily by means of its military presence, supported by a far-flung military infrastructure. The administration should clearly signal to friends and others in East Asia that it will underscore its long-standing commitments to friends and allies by retaining a major military presence throughout the region. The lesson of history is that we ignore East Asia, and particularly Southeast Asia, at our own peril.

At the same time, Washington should continue its search for a robust regional training and support infrastructure. To this end, and as feasible, in conjunction with Australia and the United Kingdom, the United States should continue to seek training opportunities with historically friendly ASEAN states, both multilaterally and bilaterally.⁶ For example, the United States should continue to conduct its long-standing Cobra Gold exercises with Thailand. In 2000, for the first time, Singaporean troops participated in these exercises, while officials from Australia, Indonesia, Malaysia, and the Philippines attended as observers. It is hoped that Malaysian troops will be full participants for the first time in the 2001 exercises. One positive development is Beijing's decision to send its own military observers to the U.S.-Thai Cobra Gold exercise, the first time China has taken up such a U.S. offer.

The United States also could look to expand its recently resumed Balikatan exercises with the Philippines. It should likewise consider expanding the Seventh Air Force's joint and combined exercises in Southeast Asia and the Seventh Fleet/Third Marine Expeditionary Force's Combined Amphibious Readiness and Training (CARAT) exercises around the region. Finally, Washington should join Japan in promoting the possibility of increasing cooperation with regional states that are fighting piracy and smuggling.

⁶ The United Kingdom trains regularly with a number of Southeast Asian states under the rubric of the Five Power Agreement.

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Policymakers often overlook the fact that military budgets rarely meet exercise needs or provide for expanded exercise regimes, especially multilateral ones, that foster U.S. interests. A stable Southeast Asia is critical for our interests in the region, where we are currently underengaged. Our routine presence does not adequately signal the degree of interest and importance we should attach to the area. The U.S. Pacific Command is our largest geographical unified command and is responsible for the U.S. military presence, strategy, and policy execution in Southeast Asia. Accordingly, the administration should increase the exercise budget of the Pacific Command to allow for more joint and combined exercises, thereby increasing our access to and recurring engagement with a larger number of the nations in the region. Modest dollar increases are likely to have significant payoffs in terms of stability and confidence-building.

The American military presence in East Asia may well undergo considerable alteration as relations improve between the ROK and the DPRK. At the same time, new military technologies are changing our capabilities and those of our allies. The previous administration's commitment to keep roughly 100,000 soldiers, sailors, aviators, and marines in the Pacific in fulfillment of the current Department of Defense East Asia Strategy Report was an important message. But it is the combined capabilities and the reliability of the U.S. political commitment, not simply numbers of troops, that is critical to sustaining the credibility of U.S. security guarantees and commitments in the region. Accordingly, the United States should continue to seek additional venues for host-nation support of U.S. forces, building upon both the VFA with the Philippines and existing arrangements with Singapore and Australia. Although no significant change in our current forward-deployed force posture is necessary at the present time, East Asia represents a very fluid security environment. The new administration should consult with our friends and allies in redefining the measure of the U.S. security presence and expanding access arrangements in the region.

While host nation support often carries the connotation of basing, its role of staging and access is perhaps more critical. Support

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for port visits, ship repairs, overflight rights, training areas and opportunities, and areas to marshal, stage, repair, and resupply are no less important for both daily U.S. presence in the region and for rapid and flexible crisis response. In particular, Washington should maintain close political ties with Singapore as a strong supporter of American strategic objectives in the region. Singapore is also strategically but vulnerably located, a circumstance that allows Singapore to offer key support to the United States in the event any maritime shipping crisis or prolonged Indonesian provincial separatist movement should arise.

Beyond funding for regional exercises and our strategic presence, an equally critical shortfall in U.S. regional policy is our lack of a skilled core of professionals familiar with the language, culture, and political-military climates of the countries of Southeast Asia. Both the State and Defense Departments should make a new effort to develop a larger cadre of regional experts who have geographic familiarity and cultural awareness based on both a focused education and tours of duty in the region. This need was immediately apparent as the U.S. government mobilized to counteract the financial contagion emanating from Thailand and Indonesia in 1997–98. It was similarly evident as the United States moved to support Australia in stabilizing East Timor. In both cases, as well as when we conduct interagency meetings and crisis-response planning for issues emerging around Southeast Asia, we lack a cadre of experts to turn to for both courses of action and recommended solutions. To remedy this, we must direct the State Department to substantially increase the number of Foreign Service Officers it trains and maintains, and the Department of Defense to do likewise with its Foreign Area Officers. In both cases, this strikes at the heart of education, engagement, and preventive diplomacy. This is money well spent and personnel well employed.

The administration and Congress must reinvigorate and reorient U.S. engagement with Southeast Asia by means of a coherent, comprehensive, integrated, and sustained approach to the region. The United States retains major strategic and economic interests in Southeast Asia. The overriding U.S. interests in the region are

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security, economic growth, and reducing poverty. Washington should recognize that while the preponderance of American activity in Southeast Asia is conducted outside government, primarily through commerce and investment as well as by NGOs, it is Washington that has a primary role in ensuring regional security and stability. The administration should be careful not to view “security and stability” solely through the prism of political-military concerns; economic security and social stability are also important U.S. objectives in the region.

Accordingly, the United States needs to formulate a comprehensive, integrated approach to Southeast Asian affairs and to buttress that approach with a coherent, coordinated interagency process that accounts for both the unique history and the current capabilities of each country in the region, as well as for the various facets of Southeast Asian development. Of course, crises will inevitably emerge and issues will arise that cannot be anticipated even by the most careful advance planning or resolved even by the wisest policy measures. Nevertheless, the formulation of an integrated strategy and the strengthening of interagency coordination will provide a framework for developing coherent American responses to unforeseen regional developments.

An integral piece of this interagency planning process is for each respective arm of government to engage with public counterparts and constituents who have interest and credibility in the region. This includes business concerns, academics, and nonprofit and volunteer organizations. These groups are often the most involved in the Southeast Asia region physically and financially. They provide both current information and local cultural nuance that is often lacking in U.S. government assessments and recommendations. Once engaged in this integrated planning and decision-making process, government leaders and policymakers must understand that the ultimate key to success is sustaining the effort in order to achieve a desired product. For the United States, that product is a coherent regional strategy for Southeast Asia as well as the supporting policies we will execute. The larger objective is a more stable Southeast Asia that is friendly to U.S. interests. Continued

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contact with civilian counterparts, whether to communicate the plan or to seek additional information, remains important.

Congress is an important part of this integrated and sustained approach. Our legislative body must take on a more decisive, deliberative, and continuous role in foreign policy. Election turnover and bicameral differences in committee authority and responsibility are natural hindrances to policy continuity. The personal interests of elected representatives and evolving party platforms also determine, or at least influence, foreign policy decisions. To achieve clear and coherent policy and to better focus and sustain our efforts, the Task Force recommends the following specific action as a minimum.

Congress should require that selected standing committees collaboratively plan, execute, and report on an annual fact-finding trip to Southeast Asia. The mission should broadly focus on U.S. interests in the region, current successes to capitalize on, or challenges to overcome. More pointedly, the traveling committee members should develop specific geographic, functional, and political-cultural appreciation for ongoing activities and concerns in each of the countries of Southeast Asia. Our foreign policy presently suffers from the tyranny of distance. Unless elected representatives are visible on the streets and in the factories and fields of the region, our commitment is questioned.

Eight standing committees should participate in this mission. From the Senate, the Appropriations, Armed Services, Foreign Relations, and Select Intelligence Committees should be represented. The Senate Finance Committee's Subcommittee on International Trade may be required to engage, as well. From the House of Representatives, the Appropriations, Armed Services, International Relations, and Select Intelligence Committees should attend. In addition, the House Banking Committee's Subcommittee on International Monetary Policy and the House Ways and Means Committee's Subcommittee on Trade may be directed to participate. Business, civic, academic, and NGO leaders should be invited to accompany elected representatives on the mission, thus

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ensuring the broader perspective and better integration that our policy demands.

A formal written report that outlines specific findings and makes policy recommendations should be produced by the legislators upon their return. This would be an important first step to developing and sustaining a clear and coherent regional strategy for Southeast Asia. It would also set an important precedent for how and why we educate leaders and citizens, at home and abroad, on our policies and objectives in this region.

The United States should promote market-oriented economic reform, technology-driven development, and poverty alleviation bilaterally and regionally.

U.S. foreign policy should continue to capitalize on the positive impact of American investment in the region and the long-term benefits it provides in terms of more sustained and equitable income distribution and prospects for technology transfer. With the implementation of AFTA, ratification of the new trade agreement with Vietnam, and the ongoing experiment of linking textile quotas to labor conditions in Cambodia, the opportunities for expanding and enhancing American economic interests in Southeast Asia continue to increase. Accordingly, Washington should foster measures to improve the investment climate, expand free trade in goods and services, improve access to credit, implement land reform, and facilitate entrepreneurial growth in both industry and the agricultural sector. Absent such steps, Southeast Asia will have great difficulty attracting the foreign investment that is instead now flowing to Northeast Asia. The United States should vigorously promote efforts on the part of ASEAN to provide sustained support for individual members committed to democratic, market-oriented, technology-driven development.

APEC's objectives, which parallel those of the WTO, are focused on liberalizing trade. Any real or perceived ASEAN reticence to support APEC may be founded more on concerns about the pace of achieving specific trade liberalization or the specific commodities targeted than on the plan emanating from the Bogor statement or the value of specific APEC objectives them-

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selves. It is, in fact, precisely because APEC's objectives sometimes seem to diverge in priority from those of the WTO that the United States should clearly underscore its support of APEC and APEC's plans for extending market openings.

However, recent moves toward pan-Asian arrangements require U.S. policy review and a candid dialogue with ASEAN to achieve clarity as to how these new efforts complement or overlap with APEC and fit into the wider efforts of regional institution-building. Strong economic institutions and the rule of law are both critically important for sustaining trade and investment levels. Investments tend to flow into countries where investors and corporations are afforded fair treatment, and to flow out of countries where legal risks are high. Accordingly, the United States should increase its efforts to promote the strengthening of financial institutions. Even more important, the United States should actively promote the rule of law throughout the region. To this end, Washington, in conjunction with the World Bank, the IMF, the ADB, and major donor nations, should assist Southeast Asian institutions in adopting the best financial practices and standards of corporate governance. This includes the promotion of issues such as contract security, financial transparency, predictable regulatory environments, and independent accountability institutions.

Together, these international institutions and countries should help Southeast Asian nations pursue comprehensive economic reform, in particular by improving regulatory capacity and institutional development. The United States could encourage education exchanges, provide expert advice, and expand legal training—while fully accounting for recipients' varying legal systems—for lawyers, judges, government regulators, and even legislators. In the process, the United States should seek to address Southeast Asian concerns about the by-products of a more global economy, particularly possible changes to the international financial architecture.

The United States should promote social stability throughout the region.

Social instability is a root cause of political instability. The United States can work both bilaterally and multilaterally to help the

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states of Southeast Asia stabilize their societies, so that they can concentrate on reducing poverty and supporting educational advancement. As noted above, Washington can be an important contributor to social stability in Indonesia, both directly and through NGOs by supporting programs for crime detection and reduction as well as ethnic and religious conflict resolution.

The United States can also provide assistance that would benefit the region as a whole. For example, the United States could provide technical support to Southeast Asian navies and customs bureaus on combating piracy. We could also support the newly established ASEAN Center for Transnational Crime, which is designed to thwart illegal activities such as narcotics and small arms trafficking and transnational trafficking in women and children. U.S. policies should also reflect and enhance those links between economic and political enfranchisement that are shown to increase social stability. We should encourage local plans to develop resources in an environmentally sound manner and to share those resources in a manner that is financially sound and equitable. We should also educate and encourage local governments to ensure a representative political voice for all constituents. These processes all contribute to social stability and are most threatened when nations fail to address aggravating conditions such as lack of access to education, forced population migration, or man-made disasters such as fires or impure water.

The United States must cease hectoring Jakarta and instead do its utmost to help stabilize Indonesia's democracy and its economy, as well as re-engage with Indonesia's army.

Recent and repeated American efforts to lecture Indonesia on its shortcomings have simply led to a growing anti-American mood in a country that has traditionally been favorably disposed toward the United States. Indonesia certainly has its economic and social problems, but it requires U.S. support as well as a more timely and focused remonstrance. U.S. support should have coherent and broad designs, for example, focusing on "good governance" as the touchstone via avenues such as court reform, training in civic leadership to enhance ministerial competence and efficiency, developing

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sound local structures for governing, building a more professional military, examining ways to reduce ethnic and communal tensions (e.g., by monitoring population migration), developing a responsible and tolerated free press with more access to public information, and improving local training and preparation for resource development and revenue sharing.

The United States must again work in tandem with, not in opposition to, the TNI. Considerable popular support for the TNI remains within most elements of the ruling elite (the most important of its supporters are President Wahid, despite his advocacy of civilian control, and particularly Vice President Megawati Sukarnoputri) as well as in the country at large. American policy should recognize this support and acknowledge the fact that TNI policy is changing. It is not a matter of overlooking the TNI's abuses, or of failing to recognize that civilian control is currently limited. Rather, as the Indonesian military grows more accountable and earns the international respect it clearly desires, the United States should help the TNI become a truly professional military force. It should extend to the TNI training in civil-military relations and should continue to accompany the TNI on food distribution missions so as to minimize corruption and embezzlement. Washington should also slowly and carefully expand its IMET program, which was suspended after the massacre at Dili. In addition, we should fully fund and support the U.S. Pacific Command's theater engagement plan, particularly its proposed exercise programs with the TNI, and should explore efforts to draw on Indonesian host-nation support for visiting American forces.

Every effort should be made to help Indonesia bolster its economy. The United States can help Indonesia to improve its investment climate in part by providing incentives for economic liberalization, but also by encouraging Indonesia to recapitalize its banking system, privatize state-owned assets, and restructure its commercial laws and general legal framework. Provision of a secure investment climate and the guarantee of independent accountability that maintains investor confidence are two vital requirements for attracting and sustaining FDI. The United States could offer to the Indonesian attorney general's office the same level of assistance

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it provided to the former Soviet states during the early 1990s in the aftermath of the Soviet empire's collapse. While indicating U.S. support for Indonesia's territorial integrity, such assistance could also be extended through Jakarta to local and regional authorities, who appear unprepared to take on the powers that will be ceded to them under the government's devolution program.

Finally, the United States, working primarily through NGOs, can foster conflict resolution efforts in Indonesia's violence-torn provinces. Such efforts should address the root causes of violence, particularly by ensuring access to resources and equitable distribution of income, as well as the provision of basic health care, access to educational opportunities, and a voice in local governance. In addition, the United States can look to Japan and the ROK, the primary markets for the LNG being produced in Aceh, to help support Jakarta's efforts to reach an accommodation with that energy-rich but troubled province. It is noteworthy that not all of Indonesia suffers from intractable ethnic violence and tension. In some areas Christians and Muslims (as well as Chinese and Malays and Hindus) continue monitored attempts to live in multiethnic harmony, thus indicating that communal strife is not inevitable.

Washington should continue to work with ASEAN to foster region-wide advances in political stability, economic progress, the reduction of poverty, and the advancement of educational opportunity.

ASEAN's strengths may have been overstated during the 1980s and early 1990s, but its inability to act during the financial crisis, during China's occupation of Mischief Reef, and during the crisis in East Timor should not lead Washington to discount its value or its potential importance. Instead the United States should work in tandem with ASEAN to foster common goals, including. To this end, Washington should

- maintain a dialogue with China through the ARF or other forums, implementing a code of conduct for the South China Sea, encouraging transparency in defense spending, developing CBMs more generally, and cooperating on fighting piracy and transna-

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tional crime throughout the region and specifically in Indonesian waters;

- work to develop a common policy toward Burma that is more viable than either blanket sanctions or “engagement” as a means of loosening the grip of that country’s military dictatorship;
- support transparency in member nations’ financial and other economic institutions;
- foster free trade regionally, bilaterally with the United States, and on a global basis; and
- increase the visibility, availability, and usefulness of educational, scientific, and cultural exchanges and opportunities to include academic scholarships such as the productive, well-known, and once well-funded Fulbright scholarships, as well as the development and promotion of trade and cultural centers.

The United States should pay close attention to Chinese behavior in Southeast Asia, while avoiding unnecessary confrontation and seizing upon opportunities for cooperation with Beijing.

Washington should be careful not to contribute to any Chinese paranoia about containment by a hostile U.S.-led alliance. Being a competitor does not preclude active cooperation. In fact, while naturally remaining cautious about China’s motives, its actions and intentions in Vietnam and Thailand being notable examples, the states of Southeast Asia do view China as being interested principally in domestic development. China is also very aware of and attentive to its impact within the region on which it borders.

For these reasons, the United States should be sensitive to the concerns of its friends in ASEAN that they not be placed in a position of having to choose between two great powers. The United States should also exploit bilateral and (with ASEAN) multilateral opportunities for cooperation with China—for example, in conducting search-and-rescue missions at sea and tackling transnational problems such as piracy and smuggling or ethnic unrest, as

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in the case of East Timor. Holding China to international norms by which it has pledged to abide, such as the Law of the Sea Treaty, is one measurement on which to focus. At the same time, by maintaining our overall presence and increasing the full spectrum of our engagement with Southeast Asia, the United States will reduce the allure of China as the partner of choice for the states of the region.

The United States should continue to work closely with Australia in the region, engage Japan, and recognize India's increasing regional role.

The successful U.N. operation in East Timor could not have taken place without Australian initiative, yet it also required crucial, if small-scale, U.S. support. The ties between the two countries are far more extensive than those that have linked them the past two years in East Timor. They are long-standing treaty allies, cooperate closely in defense industrial production and research, are important trading partners, and most significant, have a history of common interests.

Australian-U.S. cooperation in Southeast Asia can be developed still further in both political-military and social-economic areas. The United States and Australia can continue to advance the coordination of their joint military planning. They can also expand opportunities for American use of Australian military facilities for training and exercises. They can coordinate their regional support for free enterprise, for increased foreign direct investment (particularly in information technology), and for improvements to social welfare. Together they can also foster coordinated efforts by their respective NGOs, particularly to help promote and maintain regional security.

As noted above, Japan and the ROK could make a major contribution, in conjunction with the United States, to fostering the devolution of power from Jakarta to Aceh. Recent disruptions in natural gas exports to both Japan and the ROK underscore their direct interest in stabilizing the situation. Both countries, and especially Japan, can encourage economic restructuring and financial transparency in ASEAN's member states. And Japan, like the Unit-

ed States, could support ASEAN's efforts to reduce piracy and smuggling throughout the region. Moreover, as the leading lender and aid donor to Indonesia, Japan can play a crucial role in devising ways to write down Jakarta's debt and recapitalize its banking system.

India's political, military, and economic influence in Southeast Asia is likely to grow in the coming decades. As Washington develops its own new relationship with New Delhi, it should include coordinated approaches vis-à-vis Southeast Asia as part of its agenda. Indeed, as the world's largest democracy and a state that has been transforming itself from a command to a free enterprise economy, India can work closely with the United States to bolster common interests, objectives, and policies in the region.

The United States should continue to support the spread of democracy and the rule of law in Southeast Asia, but it should do so more realistically and more adroitly.

The countries of Southeast Asia and their leaders generally recognize the short-term and long-term costs and merits of inaugurating democracy and economic liberalization. This recognition does not, however, generate the required institutional capacities or prepare those leaders for the short-term political, social, and economic pressures that such transitions demand. And democracy is not a panacea for many of the region's other economic and social ills, nor is it viewed as such by Southeast Asian elites. The Asian democracies such as Thailand, the Philippines, and Indonesia are struggling economically. In contrast, communist-led and state-controlled China continues to maintain steady, if somewhat slower, economic growth. Malaysia, whose democratic processes have been questioned since the trial of Deputy Prime Minister Anwar Ibrahim, is likewise outperforming most of its ASEAN counterparts, a fact not unnoticed within the region.

The United States will hardly further the cause of democracy if it enters into frequent public spats with regional leaders, such as Prime Minister Mahathir of Malaysia or President Wahid of Indonesia and much of Indonesia's political leadership, because they are not progressing toward democracy as quickly as some in

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Washington might prefer. The United States should also not expect to export its own, unique brand of democracy across the region.

At the same time, the recent history of the region suggests that the spread of democracy is an ongoing trend in which we should have more confidence. A little humility, as President Bush has called for, will go a long way. American promotion of democracy should be devoid of condescension and should be conceived realistically, based on the political, social, and economic conditions and potential of the country involved. The United States should instead focus on the positive benefits of democracy to society at large: the rule of law, institution-building, checks and balances in government operations, and the ability to assemble broad-based national coalitions incorporating government, civil society, and private-sector enterprise for problem-solving. The role of a local free press in this process is essential; the United States through both government and NGO channels should strengthen this concept.

In this regard, the United States Information Agency can be an exceedingly valuable conduit for the transmission of American values and can do so in a manner that is neither threatening nor obnoxious to Southeast Asia's leaders and society. Educational initiatives such as English instruction and cultural or scientific tours and exchanges also benefit from low costs, high payoffs, and short turnaround. These should be expanded and tracked for optimal return on investment. As a particular example, the well-known and previously generously supported U.S. Fulbright scholarships are suffering from reductions in visibility and congressional financial support that have lessened the impact and value that the program held not too long ago.

The United States should more consistently and consciously identify and support NGOs whose work encourages democratic and economic reforms that benefit the broader population.

Washington can support those NGOs whose work encourages the spread of democratic values among the population at large. Indeed, the administration should work more closely with NGOs in formulating a strategy that supports the development of civil soci-

ety, enhances the observance of human rights, and assists in post-crisis and postconflict consensus-building.

Washington should build upon the warming of its relations with Vietnam.

While the United States is unlikely to be able to provide the levels of assistance that Vietnam desires, it could provide encouragement for private investment and increased transparency in the public sector to bolster that country's nascent free enterprise system. It should also swiftly respond to positive reforms. Rapid approval and implementation of the U.S.-Vietnam trade agreement is the most important near-term step the United States should take to reinforce reform—and reformers—in Vietnam. Washington should also engage in regular military exchanges with Vietnam, thus opening the potential for joint and multilateral exercises. For example, the United States could seek Vietnam's observation of next year's Cobra Gold exercises, as well as invite joint efforts to confront regional threats of piracy, drugs, and organized crime. U.S. officials might also share views with Vietnamese counterparts on the future of Cam Ranh Bay. These military activities should not be seen to be directed at China, however; they are designed to open the door wider and more often for U.S. engagement with Vietnam. This openness and education is of benefit to both Vietnam and the region. Finally, to the extent possible, and to the degree that Hanoi tolerates the presence of NGOs, Washington can work with these organizations to promote democratic values and human rights in what is one of the world's few remaining communist states.

ADDITIONAL VIEWS

On Reinvigorated Congressional Engagement in Southeast Asia

I strongly support that part of the recommendation that urges increased congressional focus on the region. However, I urge caution in the specific actions which are recommended—that twelve congressional committees together with business, civic, academic, and NGO leaders make annual fact-finding trips or missions to Southeast Asia. Further, the recommendation suggests that a formal written report outlining findings and policies be prepared by this annual mission.

To my mind, this could be a wasteful and time-consuming effort that is both unproductive in its outcome and distracting to those in the region who host and prepare for such missions. Perhaps, more frequent congressional hearings and occasional visits would be more productive. While further congressional involvement and focus on Southeast Asia is highly desirable, the recommended action is hardly likely to effectively achieve that objective.

Ralph Buultjens

On American Re-engagement with the Indonesian Army

This recommendation urges, among other efforts, that the United States re-engage with the Indonesian military by working in tandem with the TNI, expanding military education and training programs, expanding joint exercises, and seeking Indonesian support for visiting American forces. This is a dangerous and probably unproductive course. The Indonesian military has an undistinguished record of political involvement and repression. There is no evidence that the attitudes of the military have changed, although opportunities for expression may be more limited today. This could change, too, as military disaffection with civilian government

grows. For the United States to be closely associated with such a military could defeat the objective of encouraging and energizing civil society. In addition, it seems highly unrealistic to assume that American engagement with the military will change its proclivities and ambitions. More likely, the United States could once again be tarnished by this association. American engagement should be directed more toward those who are likely to be the potential victims of a revived military in Indonesia than to the military itself.

On Expanding Relations with Vietnam

We strongly concur with the principal elements of this recommendation. However, we have deep reservations on the portion of the recommendation that proposes regular military exchanges with Vietnam and possible joint/multilateral exercises. American experience in engaging with militaries in this region has been singularly unhappy, especially in Vietnam. Such engagement is likely to encourage a force in society that should be reduced. Given the past record, extreme caution should be exercised in American involvement with the Vietnamese and most other militaries in the region. In nonmilitary areas, the focus of this recommendation is exemplary.

*Howard L. Berman
Ralph Buultjens*

On a Cautionary Note

As vice chairman of the Council on Foreign Relations and as a longtime student of Asian affairs, I would like to add not a dissent but a cautionary note to this very useful report. A number of Asian nations have made good strides in the last decades toward becoming stable democracies. Democracy can survive and thrive in Asia. At the same time, we must be attentive to how we urge democratization among our Asian friends and look realistically at the pace of democratization we desire as well.

Additional Views

Inevitably, we use our own culture, history, and experiences as the touchstone for urging—and at times, even imposing—our values on others. Sometimes, to make matters even more difficult, we expect results right away. More problematic still, we often either ignore or fail to give due consideration to the culture, history, and state of development of the country we are trying to help democratize. This has led to our pushing for the results too hard and too fast and destabilizing countries rather than putting them on a more stable, democratic course. We do well to remember how long it has taken us to deal with America's imperfections—an ongoing process even now—when we give advice to others.

Many of our Asian friends want to see their countries democratized or would be willing to move in that direction. They are, far more often than not, better judges of how and when to do this than we are. By asking for too much too soon, we put the process of democratization at risk rather than advance it.

By all means, let us stand up for our democratic values. They are essential for what is good about our country and important as well for sound economic development. But Americans interested in helping others along the path to democracy would do well to show more respect for the views of those we're trying to assist.

Maurice R. Greenberg

DISSENTING VIEWS

On America and Regional Security

This recommendation essentially proposes expanding American military support infrastructure and military exercises in the region, and also advocates seeking additional venues for hosting support facilities for American forces. In my view, this is both unwise and unnecessary.

The history of American involvement in Southeast Asia suggests that expansions of this nature achieve little strategically and cost a great deal politically. An increase in diplomatic capabilities reinforced with larger budgets for training regional specialists and for social and cultural programs is likely to have a much larger impact in increasing American influence in the region. This should be the primary thrust of American policy, but it receives only subordinate attention in Recommendation One. Thus, I cannot endorse that portion of the recommendation dealing with expanded security activities.

Ralph Buultjens

On the Priority Given to Regional Security

While we have no problem with underscoring the importance of preventing intraregional conflict and the need for a U.S. military presence, we think it is a mistake to suggest that security concerns should top all other policy priorities in the region or that the development of a regional military training and support infrastructure is more important than a range of other needs, including fostering democratic reform and sustainable economic development.

Dissenting Views

On the U.S. Stance on Political Reform

In calling for an end to “hectoring” of Jakarta and “Washington’s heavy-handed demands for political reform and retributive transitional justice,” the Task Force ignores the fact that such demands are supportive of calls from significant groups inside Indonesia. More often than not, public pressure is welcomed—not always, to be sure, by government officials, but by reformers, including members of Indonesia’s vibrant NGO community, who are trying to strengthen the political institutions that Indonesia needs if its democracy is to survive. The calls for accountability for past abuses are widespread in Indonesia, reflected in legislation passed by the Indonesian parliament to set up new human rights courts.

More generally, in recommending that the new U.S. administration be more adroit in its support for democracy and the rule of law, the report gets close to suggesting that quiet diplomacy is better than public criticism. But it should be remembered that the former often only works when accompanied by the latter, and if the diplomacy is so quiet that not even committed reformers and pro-democracy activists can hear it and take heart, it loses its impact.

On Foreign Direct Investment and Extractive Industries

The Task Force Report promotes foreign direct investment in ASEAN states, particularly the resource extraction sector, as “critical for economic prosperity, social and educational progress, and . . . the elimination of poverty.” However, this point should be conditioned by the recognition that the impact of such investment is not always positive. Extractive activities in particular have the potential to create significant environmental and social disruption. In some cases, U.S.-based export manufacturers with large Southeast Asian operations have also been found to be out of compliance with local labor laws. Thus, the report’s recommendation that the United States “should continue to capitalize on the positive impact of American investment in the region” should emphasize the need to ensure that investment supports other U.S. objectives for social and environmental sustainability in the region.

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On Re-engagement with the Indonesian Army

The Task Force suggests re-engagement with the Indonesian military without qualification. On the one hand, we agree with the urgent need to redefine the TNI's role, strengthen civilian control of the military, and reorient the TNI away from an internal security to an external defense role. On the other, we believe it would send exactly the wrong signal to simply resume military aid and training programs—let alone “slowly and carefully expand” them—without three elements. One would be recognition of the TNI's role in obstructing prosecutions for past abuses and of the serious new human rights violations taking place, most notably in Aceh. The United States must continue to insist on accountability for the 1999 violence in East Timor, at the very least, since what took place there very likely constituted crimes against humanity. If accountability is not made a precondition of aid, any assistance program must include screening and monitoring mechanisms, involving independent Indonesian civilians, to ensure that human rights violators are not beneficiaries of U.S. aid. A second element would be a focus on those elements of the TNI that are more oriented toward external defense, i.e., the navy rather than the army. And a third would be ensuring that civilian institutions, including the police, academic centers for security studies, and individual scholars, would receive the bulk of security assistance to strengthen the role of such institutions vis-à-vis the military.

*Sidney Jones
Frances Seymour
Jenny Springer*

On the Characterization of Ethnic and Separatist Conflict in Indonesia

The Task Force mischaracterizes ethnic conflict in Indonesia. The eruptions in Kalimantan are not “race riots,” and separatist violence is not, for the most part, rooted in ethnic or religious sentiment. Islam is not “undermining Aceh's stability.” More importantly, while access to resources and economic inequities are

Dissenting Views

certainly factors in some of the outbreaks of communal and separatist violence, political factors should also be recognized, such as the demand for justice in Aceh. Also, if “overcentralization” has been a contributing cause, it is also the case that decentralization may well be giving rise to political competition where local actors mobilize support along ethnic or religious lines.

On the Role of Nongovernmental Organizations

The roles of international and Southeast Asian NGOs are conflated in the report, and as a result, the critical role of local NGOs in bringing about and sustaining democratic reform is underplayed. The strengthening of civil society should continue to be a top priority for the U.S. administration, not one relegated to seventh on the list.

*John Brandon
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APPENDIX

Appendix

Table 1. Population in ASEAN Countries

Country	1980	1990	1999	% of Population under Age 15 (1999)	% Population Growth, 1990-99
Brunei	185,220	258,172	328,979	31.8	27.4
Burma/Myanmar	33,280,662	38,518,972	41,458,186	30.5	7.6
Cambodia	6,498,652	8,964,664	11,936,938	42.6	33.2
Indonesia	154,935,922	188,650,868	221,110,775	30.9	17.2
Laos	3,293,159	4,210,452	5,361,704	43.3	27.3
Malaysia	13,764,352	17,503,607	21,354,459	35.3	22.0
Philippines	51,091,734	65,036,621	79,483,021	37.4	22.2
Singapore	2,413,900	3,016,379	4,008,204	18.6	32.9
Thailand	47,025,764	55,052,256	60,652,737	24.0	10.2
Vietnam	53,660,910	66,337,939	77,600,713	33.7	17.0
Total ASEAN	366,150,275	447,549,930	523,295,716	32.0	16.9

Source: US Bureau of the Census, International Data Base.

Note: Figures are for midyear.

Table 2. Trade Between the United States and Asia, 1997-99

U.S. Exports to ASEAN Members, China, Hong Kong, and Japan
(in millions of U.S. dollars)

	1997	1998	1999	Total, 1997-99	
World	687,581	680,406	690,689	2,058,676	
ASEAN:					
Brunei	178.00	123.00	69.00		
Cambodia	18.00	11.00	19.00		
Indonesia	4,532	2,291	1,925		
Laos	3.00	4.00	1.00		
Malaysia	10,828	8,954	8,839		
Burma/Myanmar	20.00	32.00	12.00		
Philippines	7,427	6,736	7,183		
Singapore	17,727	15,673	16,348		
Thailand	7,357	5,223	4,969		
Vietnam	278.00	274.00	295.00		
Total ASEAN	48,368.00	39,321.00	39,660.00	127,349.00	0.06
China	12,805	14,258	12,944	40,007	
Hong Kong	15,115	12,924	12,727	40,766	
Macao	67.00	41.00	44.00	152.00	
Total China	27,987	27,223	25,715	80,925	0.04
Japan	65,673	57,888	57,733	181,294	0.09
Total China including Hong Kong and Macao and Japan	93,660	85,111	83,448	262,219	0.13

Source: International Monetary Fund, *Direction of Trade Handbook* (annual).

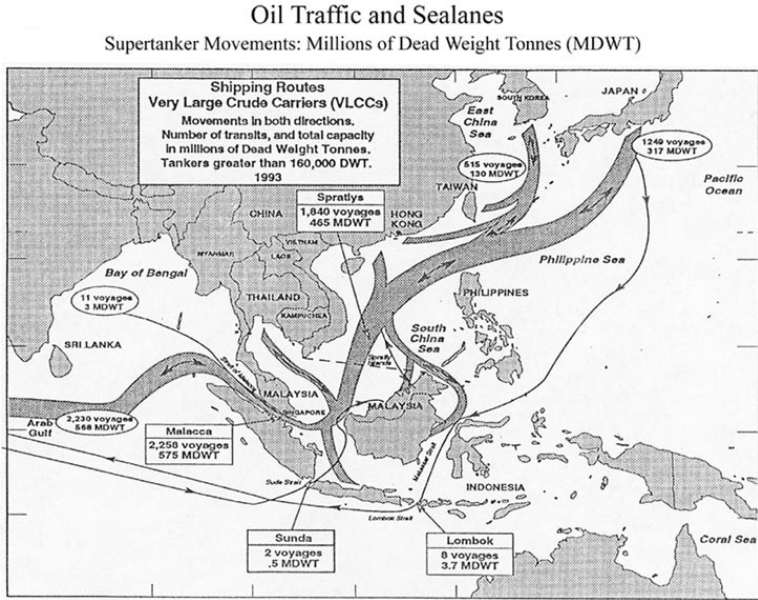


Figure 2. Sea Lines of Communication in the Asia-Pacific

Source: U.S. Central Intelligence Agency. Reference Map of Southeast Asia. Available from http://www.lib.utexas.edu/Libs/PCL/Map_collection/middle_east_and_Asia/Southeast_Asia_ref_2000.jpg.

Appendix

Table 3. U.S. Foreign Direct Investment in Asia and Canada, 1990–98

	1990	1991	1992	1993	1994	1995	1996	1997	1998
Total Asia and Pacific	64,718	72,219	79,962	92,671	108,528	122,711	139,548	146,610	161,797
Japan	22,599	25,403	26,591	31,095	34,117	37,309	34,578	33,725	38,153
China	354	426	563	916	2,557	2,557	3,848	5,071	6,348
ROK	2,695	2,900	2,912	3,427	4,334	5,557	6,508	6,430	7,365
Taiwan	2,226	2,666	2,827	3,113	3,775	4,293	4,476	4,666	4,937
Hong Kong	6,055	6,656	8,693	10,063	11,092	11,768	14,391	19,267	20,802
India	372	415	484	599	1,030	1,105	1,344	1,583	1,480
Australia	15,110	16,072	16,928	19,047	20,196	24,328	30,006	29,910	33,676
New Zealand	3,156	2,949	3,314	3,064	3,893	4,601	5,940	6,523	6,136
ASEAN	11,819	14,471	17,402	20,657	26,540	30,216	37,532	38,312	41,799
Brunei	26	33	42	47	12	30	(18)	(10)	
Cambodia									(1)
Indonesia	3,207	3,826	4,384	4,864	6,355	6,777	8,322	6,664	6,932
Laos					1		(2)	(4)	(6)
Malaysia	1,466	1,774	1,596	1,975	3,148	4,237	5,663	6,522	6,193
Burma/Myanmar		55	45			61	90		
Philippines	1,355	1,395	1,666	1,953	2,484	2,719	3,541	3,295	3,192
Singapore	3,975	5,363	6,715	8,875	10,940	12,140	14,912	17,864	19,783
Thailand	1,790	2,025	2,594	2,943	3,585	4,283	5,000	3,945	5,721
Vietnam					15	(31)	24	15	(15)
Canada	69,508	70,711	68,690	69,922	74,221	83,498	89,592	96,031	103,908

Source: ASEAN Secretariat.

Country	ASEAN Exports, 1997–99 (in millions of U.S. dollars)								Exports to U.S. as % of Total Exports
	to the United States				to the World				
	1997	1998	1999	Total 1997–99	1997	1998	1999	Total 1997–99	
Brunei	97.00	204	391.00	692.00	3,973	1,979	2,552	8,504	
Cambodia	86.00	293.00	236.00	615.00	621.00	796.00	1,323	2,740	
Indonesia	7,154	7,046	9,245	23,445	53,439	48,843	57,282	159,564	
Laos	7.00	20.00	13.00	40.00	192.00	650.00	320.00	1,162	
Malaysia	14,553	15,885	18,533	48,971	78,909	73,470	84,550	236,929	
Burma/Myanmar	112.00	159.00	222.00	493.00	1,123	1,195	1,360	3,678	
Philippines	8,856	10,145	10,493	29,494	25,228	29,496	35,474	90,198	
Singapore	23,122	21,856	22,055	67,033	125,326	109,886	114,730	349,942	
Thailand	11,154	12,175	13,308	36,637	57,560	54,489	61,797	173,846	
Vietnam	292.00	542.00	594.00	1,428.00	9,185	9,220	10,434	28,839	
Total ASEAN	65,433	68,325	75,090	208,848	355,556	330,024	369,822	1,055,402	0.20

Source: International Monetary Fund, *Direction of Trade Handbook* (annual).

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