

**SOUTHEAST ASIA'S PLACE IN ASIA: PERCEPTIONS, REALITIES, AND
ASPIRATIONS
WORKSHOP REPORT**

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EXECUTIVE SUMMARY

The October, 2011 ISEAS-East West Center workshop of Southeast Asian and American experts addressed the challenge of assessing the implications of Southeast Asia's higher profile in Asia. It found that:

- a) Competition between China and the United States has increased Southeast Asia's strategic significance in the Indo-Pacific region.
- b) Southeast Asians believe their growing trade relationship with China is compatible with continued diplomatic and security hedging against China. Whether an increasingly dense and complex economic relationship and continued hedging is sustainable in the future is not clear.
- c) The Association of Southeast Asian Nation's (ASEAN) "soft coherence" both amplifies Southeast Asian states' voices in Asia and protects their autonomy. ASEAN's utility is often underappreciated outside the region.

This workshop met shortly before the administration of U.S. President Barack Obama announced and implemented the first stages of its planned rebalancing of U.S. strategy to focus on Asia

THE STUDY

The ISEAS-EWC workshop's key findings largely accord with the American pivot to Asia, symbolized by President Obama's visits to Asia and participation in APEC and the EAS, though these findings do not include policy recommendations. This is not surprising to those who follow trends in Asia. Most prominently in American thinking, but also among others, a paradigm shift is underway in response to China's growing weight along its periphery and the increasing interconnectivity of Asian economies. American policy-makers increasingly think about "Asia" as inclusive of East and South Asia – in other words not of the old Asia-Pacific but of the Indo-Pacific. This inevitably increases Southeast Asia's profile, both as a potential hinge linking different parts of Asia and as a geographic arena for competition, if not yet rivalry, between the United States and China.

The Obama administration recognizes ASEAN's centrality in the developing regional security architecture and China's challenge in the South China Sea. The one key finding from the workshop that does not seem to have registered in the U.S. is Southeast Asian (and, we suspect, more broadly Asian) rejection of the common assumption that growing trade with China is incompatible with diplomatic and security hedging against China's rise. This view raises questions about a particularly contentious issue – assertions that the pull of the Chinese market will inevitably present Asian countries and Australia with a choice between advancing commercial and security interests.

As the U.S. re-engagement evolves and Asian nations recalibrate their interests in Southeast Asia, it will be important to be sensitive to Southeast Asian views and reluctance to align completely with either the United States or China.

The purpose of this small workshop, hosted by the East West Center and the Institute of Southeast Asian Studies (ISEAS) in Singapore on October 6, 2011, was to exchange views between Southeast Asian and American experts on Southeast Asia's role and aspirations in Asia. The impetus for the workshop was the idea – which the Obama administration has articulated – that Southeast Asia's importance is underappreciated, particularly in the United States. The workshop was limited to a small group charged with thinking “big ideas” about Southeast Asia.

In the course of the discussion, the group wrestled with terminology. All agreed that Southeast Asia has a higher profile than it did a decade ago and that it appears to play an increasingly important role in Asia as a whole. However, the group also agreed that “centrality” is not the correct term to describe Southeast Asia in Asia. On the other hand, the terms “significance” and “role” do not adequately capture the changes in Southeast Asia's strategic place in Asia. A subsequent suggestion was to focus on “instrumental centrality,” to emphasize that “centrality” is largely a means to larger ends, both for Southeast Asian countries and external powers.

Part of the problem may be that the Indo-Pacific region is undergoing a paradigm shift. Asia-wide economic production networks and other economic forces, as well as China's growing weight along its periphery, are leading American policy-makers to increasingly think about “Asia” as inclusive of East and South Asia – in other words the Indo-Pacific. Potentially, in a more fully integrated Asia, Southeast Asia could become not an appendage to either South or East Asia but the central hinge linking both together.

In a concept paper prepared for discussion at the workshop, one of the questions asked was whether Southeast Asia would integrate itself rapidly and sufficiently to evolve into an influential force in and of itself, and potentially a hinge that ties together a wider Asian region. Or would it be pulled apart by powerful extra-regional powers competing, with growing economic resources and greater power projection capabilities, within an expanded geographic space?

To try to address Southeast Asia's place in Asia from a variety of perspectives, the concept paper was divided into sections on Southeast Asia's evolving and potential roles within Asia in terms of security, regionalism, economics, and transnational threats.

The wide-ranging discussion revolved around the relationships among Southeast Asia, China and the United States. Key findings were that Sino-U.S. competition has increased Southeast Asia's strategic relevance, that Southeast Asians believe a growing trade relationship with China is compatible with hedging against China's rise, and that both ASEAN's strengths and weaknesses are useful for Southeast Asian states as they seek stability and prosperity for themselves.

KEY FINDINGS

A) GROWING COMPETITION BETWEEN CHINA AND THE UNITED STATES HAS INCREASED SOUTHEAST ASIA'S STRATEGIC CENTRALITY

Key Finding: Escalating competition between China and the United States, which is increasingly centered on the South China Sea, has revived traditional security concerns in the ASEAN region. Nascent rivalry among external powers in Southeast Asia was catalyzed by China's more assertive behavior in the South China Sea after 2008. China's determination to assert predominance along its periphery, in the South China Sea and mainland Southeast Asia, conflicts with U.S. interests in maintaining primacy at sea and in maritime Southeast Asia. The growing tendency for both China and the U.S. to seek influence in the other power's area of prime interests is exacerbating tensions.

This tension, primarily over the South China Sea but increasingly spilling over into other parts of Southeast Asia, enhances Southeast Asia's perceived centrality for external powers, but is potentially divisive for ASEAN.

India is not yet a significant factor in the competition for power in Southeast Asia. Japan's influence in Southeast Asia continues to fade.

Discussion:

In his introductory remarks, the moderator asked: What makes Southeast Asia strategically important now and what would make it more important in the future? What might be the implications for Southeast Asia of a shift in the geography of strategic competition in Asia, for example to the South China Sea? Would such a shift in strategic geography - as China, Japan, India and the U.S. continue to compete for influence in Asia - exacerbate existing divisions? What indicators should we look for to determine trends in strategic competition in the ASEAN region?

Discussion focused on the interests and aspirations of the region's two most

important players, China and the United States.

A consensus opinion was that China's rise, dependence on imported energy, and increasing assertiveness over maritime claims have enhanced the strategic importance of the South China Sea and of sea lines of communications (SLOCs) between East Asia and the Indian Ocean that pass through Southeast Asia. The maritime sphere in Southeast Asia has become a central strategic arena for Asia.

However, it may be equally useful to view strategic competition through a more traditional paradigm. The United States divides Asia into regions such as East Asia, South Asia, Central Asia, and so forth; China sees the world in terms of center and periphery. In Beijing's view, China's periphery includes mainland Southeast Asia and the South China Sea. The cleavages within Southeast Asia depend primarily on China perceptions of its periphery. Does China accept the "strategic autonomy" of all of Southeast Asia?

The "return" of the United States to Southeast Asia in the past two years was generally applauded, but discussion focused not on Washington's current intentions but on American consistency. U.S. Secretary of State Clinton has recently announced a post-Afghanistan plan for the U.S. to "pivot" to the Indo-Pacific, newly defined to stretch from India to the western shores of America. However, even as the U.S. withdraws from Iraq and Afghanistan, the "Arab Spring" has added new challenges and opportunities for the U.S. - with Egypt, Turkey and Iran, and the Israeli-Palestinian dispute. Moreover, questions were raised about how broadly based support for such a pivot might be in the U.S. government. In addition, the U.S. may not be able to afford to treat Southeast Asia as a central component in its Asia policy; the challenge will instead be to maintain a "cheaper" predominance facilitated by US allies and partners in Southeast Asia and Japan, the Republic of Korea and Australia. Other participants asked if the American concept of a broader "Indo-Pacific" region really boils down to "America on top, with India drawn in?" The relative benefits of Southeast Asia's growing strategic significance - for ASEAN and the U.S. - were also debated.

As for India, Southeast Asian participants commented that New Delhi has undertaken few recent initiatives in the ASEAN region. Except for episodic gestures that annoy China, its interest in Southeast Asia appears to have waned—particularly after India gained entrance into the East Asia Summit (EAS). India will eventually play a larger role based on continuing economic growth and military modernization, but for the foreseeable future it will remain marginal.

While competition between China and the U.S. was the dominant theme, caution was also expressed about overstating the role of outside powers. Southeast Asian states often "punch above their weight" as ASEAN shapes the rules of the game in Southeast Asia, and individual Southeast Asian states are not compelled to side completely with either the U.S. or China. Despite "deep seated, organic divisions between mainland and maritime Southeast Asia," even mainland states such as

Vietnam retain considerable room to maneuver between the great powers. Moreover, Chinese and American policies have changed incrementally, allowing time to adjust. And both powers support ASEAN, though a minority in the Chinese elite believes ASEAN is gradually tilting towards the United States.

In sum, Sino-US competition is at the heart of Southeast Asia's growing strategic significance. However, the U.S. seeks primacy at sea and in maritime Southeast Asia, while it wants a broad, open Indo-Pacific region. China seeks to dominate its periphery in mainland Southeast Asia and predominate in a more narrowly defined East Asian region. China needs to be influential in Southeast Asia if it is to be recognized as a major Asian power with aspirations to play a significant role on the global stage. Southeast Asia's aspirations for "centrality" are expressed through ASEAN. The South China Sea is the central security issue for the region. The current pattern of episodic incidents at sea in the South China Sea, little progress on a binding code of conduct, and Sino-U.S. diplomatic competition is likely persist for the foreseeable future. Mismanagement of the dispute could have high costs for all concerned.

B) GROWING ECONOMIC TIES AND CONTINUED HEDGING AGAINST CHINA ARE NOT INCOMPATIBLE FOR SOUTHEAST ASIA

Key Finding: Southeast Asians do not believe their expanding trade with China undermines or threatens their independence or security. While fundamental economic (China-centered production networks) and diplomatic-security (hedging against China) trends are not aligned, Southeast Asia can both prosper and balance, with American assistance, China's growing military capabilities and diplomatic influence. For example, there is no evidence that Sino-Vietnamese or Sino-Filipino commercial ties have been affected by rising tensions in the South China Sea. This finding contradicts the currently fashionable assumption in Australia and the U.S. that Asian states will be compelled to choose between their trade with China and their security relationships with the United States.

Discussion:

New trade patterns have altered Southeast Asia's political economy. A larger percentage of the manufactured parts and components of ASEAN states are shipped to China for final assembly prior to onward export to Europe, the U.S, and Japan. The argument is thus made that ASEAN states have become increasingly dependent on and subordinate to production networks that feed China's export-oriented manufactures.

The study group rejected this argument. China may be ASEAN's largest trading partner, but ASEAN's trade with China constitutes only about 12% of ASEAN trade, or about half of ASEAN's internal trade. Japan, the European Union, and the United States remain major trade partners for Southeast Asia, and even Indian-ASEAN

trade, while only about 2.5% of ASEAN trade, is growing rapidly. Moreover, several additional Southeast Asian countries are negotiating to join the U.S. – initiated Trans-Pacific Partnership (TPP) trade agreement. Expansion of the TPP would increase direct trade between the U.S. and Southeast Asia.

Moreover, there is little evidence that these regional production networks provide the larger economy with leverage on the smaller. China's economic influence may loom large but its impact is difficult to measure. Is China competing with Southeast Asian states at most stages of assembly? Is it adding significant value to the final product? Examples are few and far between where the Chinese government has sought to use economic leverage to alter Southeast Asian states' policies.

While production networks provide limited opportunities to leverage China's economic power, investments by state owned enterprises, particularly in the energy sector, may help China achieve political goals. China's national policy subsidizes state-owned firms seeking to acquire natural resources across the globe. Chinese investment in Southeast Asia has increased in recent years, but it is largely designed to extract natural resources.

Perhaps more significant than China's limited investments in Southeast Asia is the structure of China's domestic market, large sections of which are protected for Chinese state-owned enterprises. Until China evolves into a predominantly open consumer market, its ability to leverage trade will be limited.

Thus China's economic levers are confined to economic assistance, most of which is packaged as loans tied to contracts for Chinese companies, and the ability to "turn off" investments by Chinese companies. China can also permit or block Chinese tourism to specific counties. In some cases, perceptions of the Chinese market as a driver in continued economic growth may play a role in domestic political calculations and thus in the foreign policies of Southeast Asian countries. For example, Malaysia has declined to negotiate a free trade agreement (FTA) with Taiwan.

In sum, China's economic leverage is limited. China prefers to build economic ties to ASEAN through "win-win" strategies. Growing trade does not undermine most Southeast Asian states political independence.

(C) ASEAN'S UTILITY IS UNDERAPPRECIATED

Key Finding: ASEAN amplifies the voice of Southeast Asian states in Asia and provides a mechanism to set the norms for cooperation and competition in Southeast Asia. Weak institutionalism is a source of strength because it keeps open options for individual Southeast Asian countries to pursue bilateral interests with external countries. Southeast Asian states are particularly effective in reacting to immediate transnational threats through ad hoc coalition under an ASEAN umbrella.

But they are not prepared to seek leadership in Asia through ASEAN to solve significant long - term problems.

Discussion:

ASEAN is an institution used by its members to express their aspirations for regional leadership in Asia and as a mechanism to engage external powers.

ASEAN as an institution sits in the “driver’s seat” for many Asian regional institutions, from the East Asia Summit (EAS) to the ASEAN Regional Forum (ARF). Thus Southeast Asian states enhance their diplomatic influence by setting the rules and norms for multilateral Asian institutions. But ASEAN is often viewed as ineffective because the “ASEAN way” guidelines are broad, their enforcement requires consensus, and progress on key issues is often imperceptible. Nonetheless, there was a general sense that ASEAN-led Asian regionalism is an important aspect of Southeast Asian states’ strategies in “hedging” against external powers interference in the region.

ASEAN has been most successful in using its influence to set the norms for competition within Southeast Asia. It has, for example, required states to sign the Treaty on Amity and Cooperation (TAC) prior to joining the EAS. It has been less successful in promoting ASEAN norms through multilateral organizations outside Southeast Asia, where there is little evidence that participation in these institutions dampens interstate rivalry.

One discussion revolved around who is using regionalism for what purpose. ASEAN uses it to advance Southeast Asian states’ “strategic autonomy.” At the same time, ASEAN’s flexibility is useful for individual countries. Is, in fact, strengthening the institution in the interests of individual states? There was consensus among the Southeast Asian participants that it was not, as weak institutionalism gives member states greater room for maneuver.

Another focus was on ASEAN’s relations with the U.S. and China. Official US policy has declared that ASEAN is a “fulcrum” for regional institution building. While China appears more comfortable with “open regionalism” and less determined to try to exclude the United States, some participants wondered if the U.S. is increasingly successful in “using” ASEAN-led regionalism against China? Others noted the potential of the ASEAN-China free trade agreement, thus far apparently underutilized despite rapidly growing Sino-ASEAN trade.

There was widespread agreement that ASEAN:

- a) Provides an opportunity for “leadership” in multilateral Asian institutions
- b) Provides a useful avenue for cooperation with external powers
- c) Serves as a political umbrella for ad hoc coalitions of Southeast Asian states to address transnational threats.

Under an ASEAN umbrella, coalitions of Southeast Asian states have played a major role in negotiating the UN convention on the law of the sea (UNCLOS), in resolving the Cambodian conflict in the 1970s and 1980s, in promoting maritime security, particularly in the Strait of Malacca from 2004 -2010, and in dealing with immediate transnational threats, such as SARs and Avian Flu epidemics. In the first decade of this century, a coalition of Southeast Asian states, with the support of the United States and Australia, was particularly successful in suppressing terrorism.

CONCLUSION

This workshop was an ambitious attempt to address challenging questions about Southeast Asia's evolving place in Asia. The study group was asked to predict whether:

Southeast Asia is more likely to become a hinge linking East and South Asia or be pulled apart.

The combination of Southeast Asia's current economic links with China and security "hedging" against China is sustainable.

ASEAN's value is likely to increase for both its member states and external powers.

The study group reached no definitive conclusions but did agree that growing Sino-U.S. competition has magnified Southeast Asia's strategic relevance, that Sino-Southeast Asian trade alone does not compromise Southeast Asian states' strategic autonomy, and that ASEAN is a useful institution to manage competition in an increasingly important part of Asia.

As the U.S. pivot to Asia continues to evolve, in response Southeast Asian countries will recalibrate their foreign and security policies. We hope this modest workshop will provide food for thought about next steps both for academics and those officials directly concerned with government policies.