

A REPORT OF THE CSIS  
U.S.-ASEAN STRATEGY  
COMMISSION

# Developing an Enduring Strategy for Southeast Asia

EXECUTIVE SUMMARY



October 2011

*Cochairs*

William Cohen  
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Center for Strategic and International Studies  
1800 K Street, NW, Washington, DC 20006  
Tel: (202) 887-0200  
Fax: (202) 775-3199  
Web: [www.csis.org](http://www.csis.org)



# DEVELOPING AN ENDURING STRATEGY FOR SOUTHEAST ASIA

*Ernest Z. Bower and Murray Hiebert*

## Executive Summary

The U.S.-ASEAN Strategy Commission was organized by the Center for Strategic and International Studies (CSIS) to provide useful and practical recommendations to American policy makers with the objective of developing a long term U.S. strategy to deal with the Association of Southeast Asian Nations (ASEAN) countries and the ASEAN organization.

The commission's recommendations and findings are based on thorough research, including meetings in the region over the past eight months with high ranking political and business leaders and on the extensive experience that commission members have had with the ASEAN countries over many decades.

The commission will deliver its full report in early November. The purpose of this summary is to identify key conclusions and share top-line recommendations with U.S. policymakers. Commission members, in summary, believe that:

ASEAN is vitally important to the United States, but our current engagement is neither as comprehensive nor as strategic as our interests warrant.

## Findings

1. The economic, political, security, and people-to-people ties between the United States and ASEAN are fundamental to U.S. economic growth and security. ASEAN's numbers are compelling: 10 countries, over 620 million people, and a \$1.8-trillion gross domestic product. ASEAN is the United States' fourth-largest overseas market, and U.S. goods exports conservatively account for 440,000 U.S. jobs. Prospects for continued high economic growth in the next several decades are very strong. The United States is the top foreign investor in ASEAN, with \$165 billion invested, a third higher than U.S. investment in China and nearly 10 times higher than in India. ASEAN has historic, cultural, and commercial linkages with the world's two largest countries, China and India, and sits in the middle of several strategically important sea-lanes, making the region's security and stability a core U.S. national security interest.

2. In 2004, the United States was ASEAN's largest trading partner, with exports to ASEAN of \$85 billion and imports of \$87 billion, for a two-way total of \$192 billion. Currently China is ASEAN's largest trading partner, with a two-way total of \$293 billion in 2010. The United States is now ASEAN's fourth-largest trading partner. The implementation in 2010 of the China-ASEAN free trade agreement has contributed to a significant increase in China-ASEAN trade and in the investments made by ASEAN in China and China in ASEAN. U.S. companies are at a trading disadvantage with many of their competitors in the region, particularly from the six countries that have signed the so-called ASEAN Plus free trade agreements (FTAs): Australia, China, India, Japan, Korea, and New Zealand.
3. The United States loss of market share in ASEAN can in part be attributed to the fact that since the mid-1990s U.S. business turned its attention to opportunities in China's newly opening market and in part to China's vigorous economic engagement with ASEAN.
4. The United States is perceived by ASEAN's leaders as lacking a proactive trade and investment policy for the region, which is a deficiency that limits U.S. engagement with Southeast Asia and prevents U.S. companies from realizing opportunities in the region and creating more high-paying, export-related jobs in the United States. Although there have been repeated calls for a U.S.-ASEAN free trade agreement over two decades, the United States today has only one FTA with an ASEAN member country, namely Singapore. The president should propose preparations for future negotiations on a U.S.-ASEAN FTA at the upcoming U.S.-ASEAN leaders' summit in November. By setting this goal, the United States will underline a strategic commitment to promoting its interests in Southeast Asia by engaging in actions that help ASEAN members build capacity to enter the FTA. The effort would also be consistent with and complement U.S. negotiations on the Trans-Pacific Partnership, which includes eight other countries, including four from ASEAN (Brunei, Malaysia, Singapore, and Vietnam).
5. The United States is highly regarded by ASEAN's leaders, who recognize that the U.S. security presence has been a critical factor in providing peace and stability in the Asia-Pacific region since the end of World War II. They are, however, concerned about whether the United States will maintain its security and economic interests in the region.
6. The United States has substantially strengthened the relationship with ASEAN and its members in recent years by signing the ASEAN Treaty of Amity and Cooperation, joining the East Asia Summit (EAS), participating regularly in the ASEAN Regional Forum (ARF) and Post-Ministerial Conference (PMC), appointing an ambassador to ASEAN based in Jakarta, confirming a special envoy for Burma, and holding an annual U.S.-ASEAN leaders summit.
7. ASEAN wants the United States to remain actively engaged in the region's security, but it does not want the United States and China to enter into conflict and confrontation. U.S. interests will be best served by concentrating on playing a proactive and strong role in developing regional security architecture and strengthening economic and trade relationships with its treaty allies and strategic partners.

## Recommendations

1. The United States should take immediate action to establish its leadership on trade and investment issues. ASEAN leaders assess U.S. engagement in Asia on whether it has a strong, balanced, and sustainable commercial relations at its core. Proactive economic engagement is seen as a fundamental part of a balanced U.S. foreign policy in Southeast Asia. These steps would send this message effectively:
  - The president or vice president should lead a CEO-level business delegation to several ASEAN countries to promote new trade and investment opportunities.
  - The United States must restate its commitment to the Trans-Pacific Partnership (TPP) agreement. Congressional ratification of the free trade agreements with South Korea, Colombia, and Panama on October 12, 2011, should provide new impetus to the TPP negotiators to reach the “broad outlines” of an agreement ahead of the Asia-Pacific Economic Cooperation leaders meeting in Honolulu in mid-November.
  - The United States should declare its intention to negotiate a U.S.-ASEAN free trade agreement.
  - State governors should invite delegations of senior ASEAN business leaders to visit to explore ways to increase Southeast Asian investment in the United States.
2. In the first year of membership in the EAS, the United States should participate in a “listening mode” and support current efforts by important U.S. partners to ensure Asia-Pacific economic integration is inclusive.
3. The United States should declare its intention to institutionalize its annual participation in the U.S.-ASEAN Leaders Summit. At the summit in November, the president could suggest an initiative to boost education exchanges between ASEAN and the United States and offer to provide technical assistance to ASEAN members needing capacity-building support to prepare for joining a U.S.-ASEAN free trade agreement as well as those interested in joining the TPP.
4. The United States should sustain a strong and consistent message pressing for free and open navigation in the disputed South China Sea, while managing relations with China through clear, consistent, and candid exchanges. It should avoid a strident stance that would create anxiety in ASEAN capitals.
5. The United States should announce a program to increase substantially the number of ASEAN students who study in the United States and the number of U.S. students who study in ASEAN. Consider setting a target for educational exchanges covering all of ASEAN.
6. The United States should appoint a U.S.-ASEAN eminent persons group tasked with building support in the political, business, education, and civil society communities for increased ties between the United States and the region.

7. The United States should take immediate and concrete steps to streamline inefficient visa security review programs to make it easier for Southeast Asians to travel to the United States for business, collaborative work, study, and tourism without threatening U.S. security. Visa delays hold back business missions to the United States, undercut new trade and investment, limit the number of tourists that visit, and reduce the numbers of students who come to the United States to study. Larger numbers of business, student, and tourist visitors would boost economic growth and create more jobs.

# U.S.-ASEAN Strategy Commission

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## About the Authors

**Ernest Z. Bower** is senior adviser and director of the Southeast Asia Program and the Pacific Partners Initiative at the Center for Strategic and International Studies (CSIS) in Washington, DC. Mr. Bower is also president and CEO of BowerGroupAsia, a well-known business advisory firm. Before forming his company, he served for a decade as president of the US-ASEAN Business Council, a top private business group composed of America's leading companies in Southeast Asia. Over 20 years, he helped to establish and build the Council from the ground level, working with government and private-sector leaders from the United States and Southeast Asia.

**Murray Hiebert** is senior fellow and deputy director of the CSIS Southeast Asia Program. Prior to joining CSIS, he was senior director for Southeast Asia at the U.S. Chamber of Commerce, where he worked to promote trade and investment opportunities between the United States and Asia. Mr. Hiebert joined the U.S. Chamber in 2006 from the *Wall Street Journal's* China bureau, where he covered trade, intellectual property rights, and China's accession to the World Trade Organization. Prior to his posting to Beijing, he worked for the *Wall Street Journal Asia* and the *Far Eastern Economic Review* in Washington, reporting on Malaysia, Singapore, Vietnam, and Thailand.



1800 K Street, NW | Washington, DC 20006  
Tel: (202) 887-0200 | Fax: (202) 775-3199  
E-mail: [books@csis.org](mailto:books@csis.org) | Web: [www.csis.org](http://www.csis.org)