

U.S.-Southeast Asia: *Building Strategic Relationships*

Workshop Snapshot Report
February 2019



the Hollings Center
for international dialogue

Dialogue Summary

American attention in the Pacific region has shifted to northeast Asia because trade and security disputes with China and North Korea have become the focal point of U.S. foreign policy in the region. As a result, Southeast Asia has received secondary attention from the United States and may even be considered through the lens of U.S.-China competition. However, countries in Southeast Asia, particularly Indonesia and Malaysia, have proven to be durable economic, diplomatic, and military partners of the United States in an area where regional geopolitics determines global power. At the governmental level, U.S. relations with these two countries have been steady over the past decade through collaboration on regional stability, which counters religion-based violence, improves trade, and demonstrates a willingness to offset Chinese influence. This region features some of the highest popular favorability ratings towards the United States over the past three decades, but in recent years these ratings have dropped below 50 percent. Intergovernmental cooperation continues, but efforts could be made to improve popular perceptions of the United States in the region. Coupled with domestic developments in both Malaysia and Indonesia, a unique opportunity exists for the United States to assess and strengthen its relationships with these countries.

In pursuit of fostering better relations between the United States and countries with predominantly Muslim populations in Southeast Asia, the Hollings Center conducted a dialogue in Jakarta, Indonesia, in July 2018 to evaluate opportunities to improve existing bilateral and intercultural ties with Malaysia and Indonesia. Participants discussed how the United States can refurbish its policy vision for Southeast Asia on security, trade, and people-to-people relations, and reached the following conclusions:

- **Support regional democratization efforts.** Both Indonesia and Malaysia are entering critical periods for their democracies. Indonesia will conduct elections in 2019 at a time when popular perception of democratic progress has somewhat stagnated. Malaysia underwent a transformative election in 2018 and will be challenged by the high expectations that election created. American support for programs and democratization efforts during this time would be appropriate.
- **Focus on American soft-power strengths.** American strength in technology, education, healthcare, and commerce, some participants argued, could be better featured and used in American diplomatic and commercial efforts in the region. Participants called for better trade relationships, increased corporate investment, and expert management by the United States in the region. Focusing on these strengths, rather than directly countering the influence of China, will help maintain America's important standing in the region.
- **Support Southeast Asia's collective economic potential.** Southeast Asia boasts tremendous economic potential and is already a place of significant investment by the United States. Continued effort in promoting trade in the region and developing complementary bilateral policies between the United States and countries like Malaysia and Indonesia will help expand this potential. The United States can also serve, when possible, as a mediator in intraregional trade issues.
- **Look for cooperative opportunities with China.** According to participants, the competition between the United States and China in the region is creating tension among Southeast Asian states. Although some elements of competition are likely unavoidable, cooperation between the two countries in certain areas, such as disaster management, could significantly ease regional concern.

- **Understand the effect of other international and domestic policy decisions.** Participants cited multiple examples of how domestic political issues in the United States or American foreign policy decisions in other parts of the world have created a negative effect on regional perception of the United States in Southeast Asia. Better understanding of popular perceptions and regional attitudes can help to avoid damaging relationships and help to explain American positions.

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Assessing the Current Regional Security Framework

Most of the foreign policy interactions and decisions made by the United States and countries in Southeast Asia factor China's growing economic and military influence. When discussing China's more assertive regional role, one Chinese dialogue participant stated, "The general goal of Chinese diplomacy is to seek favorable environment for Chinese development. This has not changed under Xi Jinping." Growing influence by China since the 1990s has resulted in hard-power challenges to the post-World War II security framework, exemplified by actions such as the claiming and militarization of islands in the South China Sea. It has also resulted in greater exhibition of soft power, such as the Belt and Road Initiative (BRI), a series of loosely linked direct-investment infrastructural projects designed to create a regional trade network. Regardless of intent, China's growing foreign assertiveness has profoundly affected the regional security framework, requiring each Southeast Asian state to reassess its own role and potential. As one Malaysian participant noted, "China is going to be a big player that we need to adapt to."

The United States will need to adapt as well. China's increased presence in the region complicates U.S. strategic interests. Following World War II, American-led security policy throughout the Pacific used hard-power assets, particularly naval, to support commerce and trade by protecting the freedom of navigation. American alliances, driven primarily through the U.S. Departments of Defense and State, provided traditional military and domestic aid. Previous administrations also favored the development and centrality of the Association of Southeast Asian Nations (ASEAN) in dealing with regional security and trade issues. America's long-term presence and strategic commitment to the region created the expectation by states



U.S. Vice President Michael Pence speaks with Indonesian President Joko Widodo in Jakarta in April 2017. Formal relations between the two countries have extended nearly 70 years. Photo: White House.

in Southeast Asia that the United States would provide regional security and mediate any regional disputes.

Recent shifts in American policy, combined with greater Chinese assertiveness, are redefining the traditional security relationships, forcing states in the region to contemplate what the new normal will entail. While the previous American administration placed greater significance on dealing with Southeast Asian nations as a bloc, the current administration prefers bilateral arrangements on defense and trade. Once a constant, the American role in recent years has become variable and has created a perception that the United States will no longer serve as the guarantor of security in the region. Regardless of the veracity of such a perception, it has fostered apprehension among ASEAN member states, which now believe they must choose between Chinese or American leadership in the region.

Several participants contended that the current climate, however, provides unique opportunity to redefine international relationships in the region. Although the current geopolitical climate favors interactions between “great powers,” participants noted this did not necessarily mean de-emphasizing relationships with smaller states. Challenges with China should be seen as opportunities. The United States can further develop regional partnerships to better define the administration’s Indo-Pacific security policy. To discuss further how this might be possible, the participants turned their attention to the domestic realities in both Indonesia and Malaysia to see where openings and opportunities may exist.

Indonesia: The Realities of Democracy

Two decades ago, Indonesia began its transition toward democracy after the fall of President Suharto. Since then, Indonesia progressed remarkably on political pluralism, freedom of the press, and economic liberalization. Given the country’s authoritarian past, the challenges that come with a multi-ethnic society, and the changing power and security relationships in the region, this transition’s success cannot be understated. Participants discussed these new challenges to democratic progress in detail.

Participants noted that the limitations of democracy have become better known among Indonesians, and it has softened the view of democratic progress. As one Indonesian participant stated, “Indonesian society is now in a crisis of trust—in political parties and in government. We’ve had democratization minus good governance. It is leading to more corruption and less trust. If people do not trust each other, you cannot have a democratic system. Trust is missing.” Another participant elaborated that although the current president (Joko Widodo) holds a high approval rating¹, political parties and party members “have remained consistently the least trusted bodies in Indonesia.” Governance issues and uneven economic opportunities have stagnated perceptions of progress, risking the possibility of reversal.

At the same time, Indonesia has not been immune to global trends exploiting identity politics. Different ethnicities in the country have caused political and societal tensions. Minority ethnic Chinese in the country or the Christian religious minority are just two examples of groups feeling pressure. As one participant noted, “Identity politics is still very active. In a country of this size, you cannot avoid this, so the

“Indonesian society is now in a crisis of trust. If people do not trust each other, you cannot have a democratic system.”

- Indonesian Conference Participant

¹ Rieka Rahadiana, “Indonesia’s Biggest Political Party Backs Jokowi for Re-Election,” *Bloomberg.com* (February 23, 2018), www.bloomberg.com/news/articles/2018-02-23/indonesia-s-biggest-political-party-backs-jokowi-for-second-term.

question is how to mitigate and not tear apart the country.” Some participants raised concern over political Islam and radicalization, while others noted that concern may be overblown. Most of the Muslim groups in the country are moderate and cover most Muslims. One participant cited an estimate that only 2 percent of people in the country may be radicalized, and violence in the name of religion is very unpopular among Indonesians. Indonesian participants stated that this is one area where the U.S.-Indonesian relationship can be strengthened. One participant recommended a shift in the current counterterrorism approach, away from purely military strategy to greater support for civil society groups and moderate voices.

Multiple participants discussed the potentially destabilizing force of misinformation spread by media outlets, a phenomenon seen globally. One of Indonesia’s great successes of the past two decades is the significant growth of free media, but this does not necessarily mean that media outlets have acted responsibly. Oligarchs control major traditional outlets and online media sources have risen sharply. One participant estimated that 43,300 media outlets have been registered in Indonesia; however, as few as 200 have been officially verified. Using professional standards of journalism, better sourcing, and fact checking could support better dissemination of accurate and valuable information for the populace. Without improvements, politically motivated and potentially destabilizing discourse could result. Several participants suggested the United States could be supportive in combatting this challenge through more journalism education and media verification training.

Malaysia: A Country in Transition

The dialogue occurred approximately two months after the parliamentary elections in Malaysia in May 2018. The results of the election were historic. The Pakatan Harapan (PH) coalition unseated the Barisan Nasional majority, ending the latter’s six decade hold on power. Mahathir Mohamad, previously a Prime Minister under the ruling USMO/NS coalition, returned to power—this time instead representing the new



Recently elected Malaysian Prime Minister Mahathir Mohamad. The election of the Pakistan Harapan coalition in May 2018 signaled a major shift in Malaysian politics. Photo: Shutterstock.

PH government. At the time the participants discussed recent developments in Malaysia, a climate of optimism prevailed, especially when compared to the realism of Indonesia's democratic transition.

The Malaysian elections represent a culmination of a complete realignment of Malaysian politics. The new ruling coalition is composed of parties that are not ethnically or religiously exclusive. A participant pointed out, "The [old] template no longer works; a party being determined by one race or religion." The new political dynamic has shattered the old government's power sharing agreements between the Chinese, Indian, and Malay ethnic groups. It remains to be seen how these groups will interact or how long the new coalition can stay together. The new cabinet, according to one of the participants, is a "team of rivals" that will be difficult to manage and keep together.

The elections also inaugurated a new era of populism for Malaysia. Termed by some as the "WhatsApp elections," social media tools were actively used to organize political power and express discontent. The expectations of the new government are very high. Said an American participant, "There are a couple of things Mahathir and his coalition need to do. First, dismantle the culture of political corruption that's deeply imbued in Malaysian society and bureaucracy. There are endemic weaknesses in Malaysian society, especially in education that has led to brain drain." Furthermore, participants asked how press freedom and freedom of speech will be handled by the new regime. Will critics be allowed to voice their opposition? The new Prime Minister has proposed new commissions to address these questions of freedoms and anticorruption. But already, the people have displayed impatience on getting these tasks accomplished, and the private sector has demanded greater speed in dealing with bureaucratic corruption. The honeymoon will be short, but participants contended that this period provided a unique opportunity to improve and reinforce positive relationships, including that with the United States.

Perceptions of Foreign Power Influence in the Region

With the increase in importance of great power dynamics in the region, participants evaluated local perceptions of the United States and China throughout the region's population. In that discussion, it became quite clear that the region is divided. "There is a growing competition for values in the region," said one participant. Within ASEAN itself, countries are divided into pro-American and pro-Chinese factions, but even so there is healthy skepticism of great power presence in the region. At the moment, the United States maintains an edge in the projection of hard power with its blue-water navy and military bases throughout the Pacific. China's plan to transition from a green-water to blue-water navy is underway, and its recent assertiveness with building bases on islands in the South China Sea remains part of its strategy to fill the gap. The assertion of hard power by either state in the region, however, could backfire. As one Indonesian participant noted, "Indonesia is resistant to any foreign influence...It's very much against any attempt to assert military influence in the region. Any indicators toward hard power involvement in the region can be accused of asserting hegemony." Another participant commented on the initial findings of an ongoing, unpublished survey. "The majority of Indonesians and Malaysians prefer neutrality and non-alignment. [Those surveyed] dislike the 'more assertive' China and the 'interfering' U.S."

"The majority of Indonesians and Malaysians prefer neutrality and non-alignment. They dislike the 'more assertive' China and the 'interfering' US."

- Malaysian Conference Participant, citing a recent survey.

Any changes to hard-power dynamics in the Pacific in the coming years will remain focused on U.S.-China relations and the security of Northeast Asia (incorporating Japan, North Korea, and South Korea). Given that attention to these subjects is unlikely to change in the near term, participants instead

evaluated soft-power dynamics—the use of economic and cultural influence in Southeast Asia, a realm in which more progress is possible. However, soft-power dynamics in the region are far more complicated because not only are the United States and China involved, but also other international actors, such as Australia, India, Japan, Saudi Arabia, and South Korea. Additionally, each Southeast Asian state can exert its own soft-power capital on countries in the region to varied levels of impact.

One regional participant noted, “If the U.S. still wants to engage [Southeast Asia], it should focus on soft power rather than hard power.” In soft power, the United States still maintains an edge, but participants cited multiple examples of how that superiority has eroded in recent years. American foreign policy decisions outside of Southeast Asia, for example in the Middle East, as well as American domestic policy decisions have negatively affected perceptions of the United States throughout the region. This in turn has affected educational exchanges between the United States and Malaysia or Indonesia. Fewer students from the region come to study in the United States, in part because of the perception of anti-Muslim bias, but also because of the increasingly high cost of attendance when compared to other options in the region. Coupled with the decline of traditional American engagement programs in the region like the Peace Corps and outreach by private American organizations like the Ford Foundation, fewer opportunities exist for interpersonal interactions between Americans and citizens in the region, even among elites. Encouragingly, however, one participant noted that the current administration has offered more grants for civil society engagement than in recent years, signaling a possible disruption of recent trends.

Throughout the discussion on soft power, the concept of ASEAN centrality in projecting soft power from the region arose. For countries in Southeast Asia, using regional groups like ASEAN could bolster the diplomatic and economic power of its member states. “Every one of the ten ASEAN countries have limited capacity in hard and soft power. When acting as a group, then you have much more [soft] power than you would as an individual country.” But, multiple participants stressed the importance of considering ASEAN’s role and potential realistically. Integration of countries within the organization remains quite loose and the organization itself requires consensus for action. Member states still prioritize national interests. Differences in national policy between Malaysia and Indonesia have created some roadblocks. Intra-ASEAN trade, according to one participant, “has not increased above 35 percent in the past three decades” and much remains to be done regarding free trade agreements in the region. However, expansion of meetings to ASEAN+6 (which includes Australia, China, India, Japan, New Zealand, and South Korea) shows promise for the organization as a central diplomatic and economic tool.

Economic Potential and Interdependence

As a bloc, ASEAN’s economic potential cannot be underestimated. With a collective gross domestic product of \$2.8 trillion USD according to the International Monetary Fund, the bloc is expected to be equivalent to the world’s fifth largest economy by the mid-2020s². Economic interest in the region is thus understandable. How economic interdependency is created in the region depends entirely on the parties involved and their strengths. Competition and collaboration in the economic sphere will define intra-regional relationships in the coming decade and will continue to serve as the most important soft-power component. Both China and the United States will compete in this sphere, but through different channels and with different approaches.

² *World Economic Outlook Database*, International Monetary Fund, www.imf.org/external/pubs/ft/weo/2018/02/weodata/weorept.aspx.



ASEAN member states include Brunei, Cambodia, Indonesia, Laos, Malaysia, Myanmar, Philippines, Singapore, Thailand, and Vietnam. Papua New Guinea and Timor Leste are currently observer states. Photo: Tawin Mukdharakosa.

China's presence as an economic power in the region, while more recent than the United States, already shows significant symbolic impact. The BRI, designed to economically link the region to China by addressing gaps in infrastructure, received significant attention by participants. Large infrastructure projects, some of which are funded directly by the central Chinese state, have produced global headlines and represent a different—some say faster—approach to foreign investment by a state. As one participant stated, “China comes to us with cash and projects. Their agreements are open ended.” This creates business expediency, but also creates sets of problems. The participant further elaborated that the initiative is not as cohesive as often portrayed. And others noted how some projects have encountered major safety problems and cost overruns. Chinese companies typically conduct these projects, often bringing in Chinese laborers and negating the possible effects on local livelihoods. Chinese proximity to the region, plus good interrelationships between Chinese companies and regional governments have alleviated some of these problems. However, skepticism in the BRI has edged higher since first proposed in 2013. Shortly following the dialogue, Malaysia cancelled a Chinese-funded pipeline project and put others into limbo, citing local corruption³. Another Indonesian participant cited the free trade agreement with China as being “a disaster” with a heavy trade deficit pegged to Indonesia.

The United States withdrawal from the Trans-Pacific Partnership signaled the administration's shift from multilateral to bilateral trade agreements in the region. Current domestic political realities in the United States make the conclusion of any bilateral deals in the region unlikely in the near term, which leaves American private companies as the primary driver of economic relationships in the region. Unlike China, direct state-level support for economic investment in the region is more limited, with entities like the U.S. Export-Import Bank serving as a quasi-governmental conduit between American companies and the region. However, U.S. foreign direct investment (FDI) by U.S. companies is substantial. As one participant

³ Stefania Palma, “Malaysia Cancels China-Backed Pipeline Projects,” *Financial Times* (September 9, 2018), www.ft.com/content/06a71510-b24a-11e8-99ca-68cf89602132.

noted, “Since 2004, ASEAN states have received \$274 billion USD in cumulative investment from the U.S., which is more than what has been invested by China, Korea, Japan, and India combined.” The United States recently celebrated 40 years of partnership with ASEAN, which has helped connect American and regional businesses. The American corporate approach to investing differs from Asian businesses, which some participants saw as a positive and others saw as a potential weakness. One participant noted that the typically strong corporate governance structures within American businesses can make them more ideal partners in complicated investment situations. Conversely, these American businesses lack the personal and professional relationships that are critical in conducting business in the region. Other roadblocks include protectionism among ASEAN member states and differing, restrictive regulatory schemes. Improving these conditions would increase the appetite to invest by American companies.

When considering both the United States’ and China’s approach to the region, the two countries take completely different directions to economic engagement. The perception that the two countries need to adopt competitive stances therefore fails to recognize each country’s strengths and weaknesses when relating to the region. China’s regional proximity, similar business culture, and expertise on infrastructure give it a distinct advantage in cash and project-based investors. In contrast, American strength in desirable economic sectors, such as technology and education, and willingness by private companies to expand into the region provide multiple independent opportunities for growth. American businesses can support local communities by bolstering accountability and corporate social responsibility programs.

Recommendations for Strengthening Ties

Adopt Complimentary Postures with China

Throughout the dialogue, participants from the region stressed the importance of China and the United States adopting a more cooperative approach toward each other when relating to nations in Southeast Asia. The perception, right or wrong, that these states in the region have to choose either China or the United States is straining regional and international relationships, when in reality the strengths of both China and the United States are so different that competition does not have to be the entire focus. This will ease tension throughout the region and within ASEAN. Participants suggested the following cooperative opportunities that could help address this perception.

- **Disaster management and humanitarian response.** Both countries have shown significant expertise in this realm. Elements of the Cobra Gold exercise, conducted regularly by the United States in the region, could serve as a potential blueprint of larger regional disaster response planning.
- **Counterterrorism.** Both Chinese, American, and Southeast Asian participants highlighted an interest in cooperating on counterterrorism efforts. Interest in stability throughout the region is high. There is much to learn from all involved parties through better coordination.
- **Greater co-involvement in regional discussions.** Involving the United States and China together in regional discussions can help to ease tension and open new collaborative possibilities.

Enhance Educational Exchanges and Opportunities

Participants noted that education is an economic sector of particular strength for the United States and a beneficial soft power tool, but that exchange opportunities through federal programs like Fulbright could be bolstered. There are also few American branch campuses in the region and few American students studying in ASEAN states (approximately 5,700 region-wide overall of which only 686 studied in Malaysia or Indonesia⁴). Participants recommended more scholarships and more international university partnerships. They further recommended a more coordinated effort to promote American universities in the region to better promote available opportunities and alleviate misperceptions of studying in the United States. Participants promoted the idea of reestablishing area studies programs based in the United States to foster more interest by American students and more research helpful to public diplomacy programs.

Recognize ASEAN's Potential and Limitations

Participants differed significantly on how best to use regional groups like ASEAN in strengthening international and intra-regional relations, some even noting frustration on how the organization's actions remain stunted by its members' national interests. Others noted how this organization's presence has helped to maintain peace in the region and has removed some economic roadblocks. It will be important for the United States in future Southeast Asian relations to understand what ASEAN is and what it is not. It is neither a military alliance nor an economic union, even though the organization has produced "blueprints" to better achieve regional cooperation in those spheres. Continued interaction and support for ASEAN can also be instructive to the United States about the major issues and disputes throughout the Southeast Asia.

Focus on U.S. Economic Strengths

The United States cannot compete with China or Japan on infrastructure projects in the region. Instead, American economic efforts in the region should focus on strengths like technology, healthcare and

⁴ *Educational Exchange*, U.S.-ASEAN Business Council, <https://www.usasean.org/why-asean/educational-exchange>.

biotechnology, education, digital commerce, and corporate governance expertise. Participants noted that these sectors remain in high demand throughout the region and would be a more logical avenue for U.S.-Southeast Asian economic cooperation.

Eliminate Roadblocks to FDI

Participants cited the need for regulatory reform in both Indonesia and Malaysia to encourage American companies to invest in these countries. American companies have taken a cautious approach to investment in the region because of these hurdles. The United States can provide guidance to these states on how to improve bureaucracy and regulations. Long-standing organizations like the U.S.-ASEAN Business Council can help promote people-to-people ties that increase investment opportunities.

Media Training

Multiple participants commented on the danger that bad media and misinformation campaigns could harm the delicate balance of moderate forces in the region. With a new government in Malaysia and elections coming to Indonesia in 2019, the dissemination of factual information is critical. Participants from the region called for American support for media training programs to promote better journalism, further better verification of media sources, and increase overall accountability. In turn, such efforts will assist the United States in developing more engaging public diplomacy in the region by understanding the real needs and inclinations of the public.

For More Information



US Policy towards the Association of Southeast Asian Nations (ASEAN)

Prashanth Parameswaran discusses what the United States needs to do in order to engage Southeast Asia collectively. He further discusses the role for U.S. security architecture in the region under the new administration. Prashanth Parameswaran is senior editor at The Diplomat based in Washington, D.C., where he writes mostly on Southeast Asia, Asian security affairs and U.S. foreign policy in the Asia-Pacific. He is also a Ph.D. candidate at the Fletcher School of Law and Diplomacy at Tufts University.



U.S.-ASEAN Economic Relations

Desi Indrimayutri & Tina Jamaluddin discuss why the ASEAN region is important to the private sector and U.S. investment success stories. Desi Indrimayutri is the US-ASEAN Business Council's managing representative in Indonesia and its senior liaison with the Indonesian Government, the ASEAN Secretariat, the U.S. diplomatic presence in Indonesia and other key high-level stakeholders. Tina Jamaluddin joined the US-ASEAN Business Council as senior country representative for Malaysia in March 2018. She is the Council's country head and its senior liaison with the private sector, the Malaysian Government and the U.S. diplomatic presence in that country.



China's Engagement in Southeast Asia

What is the nature of China's engagement in Southeast Asia? Is there a willingness on behalf of China to cooperate with the US on certain areas and issues? Christine Susanna Tjhin is senior researcher at the Department of International Relations, Centre for Strategic and International Studies, Indonesia. She is also the convener of CSIS China Study Group.



Non-traditional Security Issues in Southeast Asia

What are the main non-traditional security issues facing Southeast Asia today, and how can the US play a constructive role in helping countries in this region deal with these issues? Courtney Weatherby is a research analyst with the Southeast Asia and the Energy, Water, & Sustainability programs at the Stimson Center. Her research centers around sustainable development, resource management, and geopolitics in Southeast Asia, with particular focus on China's investment in regional infrastructure and food-water-energy issues.

The Hollings Center for International Dialogue is a non-profit, non-governmental organization dedicated to fostering dialogue between the United States and countries with predominantly Muslim populations in the Middle East, North Africa, South Asia, Eurasia, and Europe. In pursuit of its mission, the Hollings Center convenes dialogue conferences that generate new thinking on important international issues and deepen channels of communication across opinion leaders and experts. The Hollings Center is headquartered in Washington, D.C. and maintains a representative office in Istanbul, Turkey.

To learn more about the Hollings Center's mission, history and funding:

<http://www.hollingscenter.org/about/mission-and-approach>

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