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ASEAN, The Pacific and the United States Toward a New Relationship

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ABSTRACT

The world is changing at a very rapid pace. The military adversaries of the past are now friends. Allies from the era of containment are now adversaries in the world of trade and commerce. New relationships are forming as others are breaking up. Many of the previously designated "third world" nations are giving way to the term "newly industrialized countries or economies". The Association of Southeast Asian Nations, or ASEAN, is a regional association of nations comprised of Thailand, Malaysia, Singapore, Indonesia, Brunei and the Philippines. The ASEAN export oriented market economies have demonstrated, for the most part, a remarkable rate of growth over the past decade. How will the European Community (EC) and the expected North American Free Trade Agreement (NAFTA) affect the continued growth of both the political and economic systems of the ASEAN nations? How will the U.S. respond to the new challenges in what appears to be the "Century of the Pacific"? Will the strategies from the era of containment and the accompanying alliances restrain the U.S. in its development of new policies based on the new economic order? ASEAN, THE PACIFIC AND THE UNITED STATES TOWARD A NEW RELATIONSHIP, is an attempt to answer these questions and provide some options for the U.S. to follow.

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ASEAN, THE PACIFIC AND THE UNITED STATES
TOWARD A NEW RELATIONSHIP

- I. INTRODUCTION: THE CURRENT WORLD ENVIRONMENT
- II. A BRIEF HISTORY OF ASEAN
- III. REGIONALISM
- IV. ASEAN AND INTERNATIONAL TRADE
 - COMPETITION FOR ASEAN
 - ASEAN AND THE PEOPLES REPUBLIC OF CHINA
 - ASEAN AND JAPAN
 - ASEAN AND THE UNITED STATES
 - ASEAN AND SOUTHEAST ASIA
- V. U.S. POLICY TOWARD ASEAN

INTRODUCTION:

There are numerous explanations, theories and arguments relative to the causes and processes that led to the dissolution of the Soviet Union and the East Bloc. Some ascribe it to the long term costs of the arms race while others tout the basic economic failures of the communist system's command economy. Whatever the case, the world has changed from essentially a bi-polar world to its current status where the U.S. is considered the remaining superpower, albeit with serious economic problems. And since the U.S. is NOT imperialistic in the classic sense, the nuclear capability of the U.S., absent a viable enemy, is just so much hardware. For true military power is dependent upon being an economic power, for the military power of a nation cannot long exist without a successful economic infrastructure. The current and ongoing downsizing of the U.S. military is attributed to a diminishing threat environment but also to a recognition that a threat to the U.S. exists in the current state of economic disorder the U.S. finds itself. In fact, the presidential election of 1992 was primarily determined by the domestic economic issues and their impact upon the voters. As of yet, no new precise domestic or international economic policy is available, however, it is clear that the calls for managed trade, reduction of the national debt and reduction of both the trade and budget deficits will be on the agenda of the new administration.

And what of the rest of the world? Outside of the few remaining hardline communist states, the breakup of the Soviet Union and the East Bloc was greeted with initial surprise and possibly disbelief, followed with overall relief and optimism for the future. This would include a belief that market economies, freer trade and various forms of democracy are superior to the methods of the now defunct communist states.

While some organizations were breaking up, others were forming. The European Community continues to move slowly toward the goals presented in EC 92. The U.S. and Canada have concluded a free trade pact, which is in the process of being expanded to the North American Free Trade Agreement (NAFTA) by the inclusion of Mexico in the pact. Further expansion of NAFTA to include Chile and possibly other South American nations may follow the inclusion of Mexico. It appears that the creations of the cold war era are giving way to the creations of an era of international trade. And what of those nations not currently encompassed by the EC or the NAFTA? Will they continue to sit on the sidelines and have their futures determined by trading blocs now formed and forming? Or will they, in turn, take a greater role in determining their own economic future in a world increasingly dominated by trade issues?

This paper is directed at a group of Southeast Asian nations that were essentially sideline nations during the bipolar era, except when U.S. or Soviet interests affected their

strategic status, such as during the Vietnam conflict. Throughout that period, Thailand and the Philippines received both economic and military assistance from the U.S. The unfolding question is how important will Southeast Asia be to the U.S. in a new era of trading blocs, pressure for domestic protectionism as well as the apparent requirement to move the Russian economy from a demand to a market focus with a minimum of disruption and social disorder? In order to address this question of Southeast Asia, this paper examines the role of the Association of Southeast Asian Nations, commonly referred to as ASEAN, and its relationship with the U.S. and other economic entities as we proceed into the era of international trade and competition.

ASEAN is comprised of Thailand, Malaysia, Singapore, Brunei, Indonesia and the Philippines. These six nations have a total population of approximately 350 million people by latest estimates, utilize six major languages and are culturally and ethnically diverse. The nations of ASEAN are pondering the new world economic order and seeking to define their collective role in the global economy. ASEAN will be confronted with defining its role vis-a-vis Japan, the PRC (Peoples Republic of China), as well as facing the implications of possible loss of share of U.S. markets resulting from NAFTA and follow on activity.

What then, will be the economic and political choices of the ASEAN nations. Will ASEAN survive and prosper in an increasingly

4.

trade competitive world? Or will ASEAN move more directly towards a regional trading bloc to insure its economic survival? And, what effect will the foreign policy of the U.S., including the trade, political and military components, have on the ASEAN nations and in turn, ultimately the U.S.?

A BRIEF HISTORY OF ASF'J:

ASEAN began its existence by implementing a policy of mutual cooperation, or as Foreign Minister Dhanabalan (Singapore) reflected:

"We all decided many years ago that it is better to cooperate with each other than to undermine each other." 1.

ASEAN resolved not to address any of the truly difficult issues between its members while concentrating on cultural and less volatile subjects. It is quite possible that by purposely avoiding the hard issues, ASEAN was able to grow and gain in stature to the point where it now addresses the intra-ASEAN issues as well as taking positions on regional problems. Considering the fact that certain ASEAN member states have engaged in war against one another prior to the formation of ASEAN and continue to make territorial claims against one another, it is noteworthy that the organization survived and continues to grow. ASEAN is based on the concept of regionalism as an identification of similarities while acknowledging disparities. Regionalism has its roots in the history of the Southeast Asian peoples and its differentiation from the Chinese empire throughout history. Although there are large ethnic Chinese populations within the ASEAN states, allegiance or identification with China by these overseas communities is not evident. On the other hand, the large Chinese population of Singapore was part of the rationale

for Malaysia separating Singapore from the Malaysian state and thereby essentially reducing the overall size of the ethnic Chinese minority. In spite of both political and cultural successes and failures, Prime Minister Mahatir of Malaysia expresses the opinion that:

"It (ASEAN) has not been so successful in economic cooperation. Closer regional economic cooperation within ASEAN is now imperative." 2.

But what type of regional economic cooperation? The majority of industries found within ASEAN, except Singapore, are very similar and do not complement each other. These economic similarities and the political decisions to protect specific indigenous industries by tariff has not allowed for the integration of the ASEAN economies. Recent progress on an intra-ASEAN trading agreement could allow for the abandonment of high tariff rates and industries that are not advantageous. This would promote movement toward specializing in products that are economically diverse and complementary. Singapore, the undisputed economic giant of ASEAN, is moving from the labor intensive industries toward the establishment of financial and service industries. This evolution should allow for states such as Indonesia, with a large work force, to "pick up" some of the labor intensive industries being shed by Singapore and make the ASEAN trade equation more complementary.

7.

In essence, ASEAN has to address its own internal economic and trade issues while concurrently developing an international trade policy that will benefit its developed and developing export based market economies.

REGIONALISM:

"In the Association's (ASEAN) document-
 tion, the term Southeast Asia is a common
 expression and it is clearly used in a
 regional rather than a merely geographical
 context". Fifield continues, "indeed, one
 of the reasons why Sri Lanka was not
 admitted to ASEAN was the perception that
 the country was not in Southeast Asia." 3.

Yet, the region of Southeast Asia contains more diversity than
 uniformity which would appear to mitigate against any successful
 binding of common interests within an organization based on
 regionalism. However, ASEAN is representative of the concept of
 "new regionalism" and its

"new and enhanced role as a catalytic agent
 between resurgent nationalism and growing
 internationalism and interdependence." 4.

And is it not into such a world of internationalism and inter-
 dependence that ASEAN and like organizations find themselves
 being propelled in the post cold war era?

ASEAN is not the first attempt at forming regional associ-
 ation in the geographic area of Southeast Asia. Unlike
 predecessors such as ASPAC (Asian and Pacific Council) or the ASA
 (Association of Southeast Asia), ASEAN emerged through the
 initiative of its soon to be member states with a clear

geographic definition of the region. Southeast Asia is not South Asia, China or the Pacific atolls and is certainly not Australia. The initial focus on cultural and regional concerns and a lack of an aggressive agenda was instrumental in allowing the time for the healing of old wounds as well as the development of trust and confidence in the association. As a result, ASEAN now projects itself within the totality of Southeast Asia by its prior

"deploring the armed (Vietnamese) intervention against Kampuchea (Cambodia) and calling for the withdrawal of foreign forces from Kapucmean territory." 5.

This was followed by its constructive initiative in the ongoing peace process in Cambodia. - In fact, ASEAN has moved from its condemnation of Vietnam to the current point in time where Vietnamese membership in ASEAN is not a question of yes or no, but more likely when. Under the concept of regionalism, the remaining Southeast Asian states of Laos, Burma and Cambodia would qualify for membership in ASEAN. Such an expansion of ASEAN should positively affect the political stability in the region and an accompanying growth in international investment and recognition.

Recent initiatives by ASEAN in the international arena (trade issues with the EC and GATT, the peace initiatives in Cambodia with the UN) demonstrate that while ASEAN still faces formidable internal problems, it is an organization that does

recognize the need to make its presence known on a global scale. If the concept of "new regionalism" is valid, one should expect to see ASEAN expand its membership to other regional nations while assuming a position that any and all activity within Southeast Asia is a concern of ASEAN.

ASEAN AND INTERNATIONAL TRADE:

A glance at any recent compilation of trade statistics for the ASEAN nations suffices to convince the reader that the current and future success of the ASEAN economies depends on access to the markets of the world. As such, it is not difficult to understand ASEAN's concern over the implementation of the EC as well as the forthcoming NAFTA. Given the fact that trans-Pacific trade between the U.S. and Asia exceeded the 300 billion dollar level in 1991 and continues to grow, the latest figure is now in excess of 340 billion dollars, it is essential that the ASEAN nations continue to participate and increase their share of this trade. In order to import some 80 billion dollars worth of machinery and capital goods in 1989, ASEAN nations exported 84 billion dollars in both finished and unfinished manufactures, natural resources and other commodities. Over 20% of the ASEAN exports went to the U.S., a figure which increases each year. Japan continues to be the largest market for and investor in ASEAN and Southeast Asia. The prospect of an EC or NAFTA

exclusionary process toward ASEAN exports would be extremely detrimental to the ASEAN economies and not be without the possibility of resulting political and social upheaval. Much of the social and political liberalization occurring in the ASEAN nations is based on the economic successes of the past decade. Also, any NAFTA barriers to Japan would also affect the level of demand for ASEAN exports to Japan as Japan's overall export levels would decline lessening the demand. Intra-ASEAN trade would be totally insufficient to sustain the current or even the more moderate growth rates experienced by the ASEAN nations over the past decade.

The recent formation of the AFTA (ASEAN Free Trade Area) by ASEAN is in no way comparable to the EC and NAFTA efforts. AFTA is a long term lowering of tariffs and trade barriers between ASEAN nations to increase efficiency, lower costs and address an indigenous market of close to 350 million people. The goal is for each nation to produce goods in which it has a comparative advantage and therefore, reduce competition within ASEAN. As noted previously, ASEAN states, excepting Singapore, do not produce complementary products but competing products resulting in a history of contentiousness and trade barriers. Former President Aquino of the Philippines remarked in 1986 that:

"after 19 years of existence ASEAN should
already be evaluating the impact of
regional economic cooperation: instead,

it is endlessly discussing how to get it off the ground". 6.

The endlessness of it all eventually produced the AFTA. In reality, AFTA produces two immediate results: One, allowing the ministers of the member states a sense of accomplishment despite the numerous barriers left in place, and two, utilizing free trade zones and an abundance of affordable labor to attract foreign investment. International trade, not intra-ASEAN trade is the future of ASEAN and in a manner not out of tradition, ASEAN is working slowly on internal problems while addressing the global issues facing it.

COMPETITION FOR ASEAN:

Acknowledging that Singapore is the most robust and diversified economy within ASEAN accentuates the fact that the balance of the ASEAN nations depend on the availability of low cost labor within a relatively stable political environment as the basis for attracting foreign investment. The U.S. was once the dominant foreign investor in Southeast Asia, Japan now accounts for twice the investment level of the U.S. ASEAN nations receive more than half of Japan's total investment in ASIA. The downside is the ASEAN trade imbalance with Japan since Japan's exports high value goods to the ASEAN nations while importing lower valued goods. Here again, the positive trade balance ASEAN enjoys with the U.S. probably helps pay for the

trade imbalance with Japan. Is it, then, no wonder why ASEAN views the extension of the NAFTA to Mexico as a competing threat for trade and investment, as well as a possible loss of the current positive trade balance? One could take further steps and envision how the PRC and even the nations of the old East Bloc present alternative sources of labor for the nations of the industrialized West. In some ways, the industrialized nations are already projecting beyond the current status of abundant low to moderate cost labor available within ASEAN.

"The Japanese, like the Koreans and Taiwanese, know that Vietnam offers a large pool of skilled labor, which will become more attractive as wages rise in countries such as Thailand and Malaysia." 7.

The ASEAN nations, not unlike the period of the cold war, find themselves in a situation where the actions and reactions of the world's dominant economies have a major impact upon their current overall economic health as well as the future of the region.

ASEAN AND THE PRC:

ASEAN's relationship with the PRC is rife with the potential for problems. Regionalism holds that Southeast Asia is NOT

Chinese despite a large "overseas" community of ethnic Chinese within the borders of ASEAN. The historical and current situation involving the Spratly Islands could involve the PRC and Vietnam in conflict and indirectly involve ASEAN as both a regional organization. Given the possibility that Vietnam could be a member of ASEAN in the near future, the threat is compounded. Additionally, other ASEAN nations have stated claims to the islands and the territorial waters, possibly leading to further immersion of ASEAN in any confrontation.

Additionally, the PRC does not offer ASEAN potential markets for its exports and as noted previously, provides the prospect of competition. In view of the above and other factors mainly historical in nature, ASEAN has remained "distant" in its relations with the PRC. The continued building up of the armed forces of the PRC plus its less than restricted arms export policies have prompted ASEAN nations to increase their respective levels of spending defense. ASEAN leaders will probably continue to hope that the overall internal problems of the PRC will occupy its political and economic interests and energy into the next century.

ASEAN AND JAPAN:

Japan represents a major market for ASEAN exports, especially in the area of raw materials and labor intensive finished and unfinished products.

As Japan continues its movement down the road toward industrial maturity, the natural resources and labor supply of most of the ASEAN states will continue to grow in importance to Japan from a comparative advantage trade strategy. While ASEAN exports to Japan continue to grow and the yen pours in through investment, the relationship between Japan and ASEAN remains formal. As one ASEAN nation government official described it:

"The Japanese are here (Southeast Asia) however they are aware of sentiment going back to World War II and are behaving in a very low key manner." 8.

In fact, the U.S. effort to have Japan increase its military spending and assume more of the burden for defense in the adjacent waters is of concern to ASEAN and other Pacific Rim nations. As a result, ASEAN views Japan with a guarded perspective based on history and a nascent feeling about Japan's economic form of mercantilism. Not surprisingly, the current environment manifests itself in a shared desire by both ASEAN and Japan to see a continued U.S. presence in the region.

ASEAN AND THE UNITED STATES:

Over the years, it is fair to say that the ASEAN relationship with the U.S. is one of mixed opinions based on the

diversity within ASEAN regarding the U.S. The ASEAN charter was supplemented by a plan called ZOPFAN (Zone of Peace, Freedom and Neutrality), which contrasted with the continued presence of the U.S. military in the Philippines and Thailand. The ZOPFAN was a declaration of neutrality and an effort to keep the region out of the U.S.-Soviet tug of war and free of foreign forces.

Presently, it is interesting to note in the post-Philippine base era that ZOPFAN does not appear in ASEAN rhetoric. Overall attitudes toward a U.S. military (naval) presence in the region retransiting from previous hostility (Malaysia and Indonesia) to a level of friendly acceptance (Singapore). Nevertheless, ambivalent feelings remain. Stated more bluntly,

"In much of Southeast Asia the perception of the United States as both a provider and a thief, peaceful ally and awesome adversary is alive and strong." 9.

Despite these feelings, the uncertain nature of the PRC and an expanding presence of Indian naval forces places the U.S. military presence in the area as both necessary and desirable.

The ASEAN-U.S. trade relationship is positive in favor of ASEAN while ASEAN represents an important market for U.S. exports. While improving security relationships are apparent, trade issues are compounded by recent events.

"Indeed, the Bush Administration has since

of the world, pressing for acceptance of extraregional (U.S. led) trade groups like the Asia Pacific Economic Cooperation (APEC) forum, demanding greater access to Asian markets, and insisting in some cases on political pressure tactics to achieve American aims." 10.

The prior concern over the Bush Administration's initiative may be overtaken by apprehension with the Clinton Administration and the expressed belief that:

"with a Democratic Congress and Senate, and a Democratic President all dedicated to closing the American market to the rest of the world we are going to have a big problem especially countries which expect to sell to America in order to grow a little." 11.

Are Prime Minister Mahatir's comments made in 1988 any less relevant in 1993 where his (Mahatir's) anticipation of the control of the U.S. Congress and Presidency by the Democratic Party are now a reality? Additionally, recent Clinton appointments at the State Department including the selection of Winston Lord, former U.S. Ambassador to the PRC, are being interpreted as an indicator that the U.S. will develop a PRC oriented foreign policy in the Pacific. Finally, outside of mild lobbying and post ministerial meetings with the U.S. and other

dialogue partners, there is not much pressure that ASEAN can exert relative to America's foreign policy. Naturally, ASEAN would like to see the NAFTA put in place within the guidelines of the GATT, which would protect ASEAN's access to the North American markets. While it remains, at this point, to be seen what policies the Clinton administration will adopt, ASEAN will continue its drive to keep world and U.S. markets open, will be more responsive to U.S. requirements for "places, not bases" in the region and will continue to be involved in the APEC initiative.

ASEAN AND SOUTHEAST ASIA:

ASEAN currently represents the goals and aspirations of various nations in Southeast Asia. For the U.S., ASEAN could represent an ideal vision for the future of the region. A growth in and towards democratic governments, market economies in addition to a true attempt at regional security through the efforts of the indigenous countries. For Vietnam, the success of the ASEAN nations over the past decade represents a vision of what might have been but could still be. That vision is economic growth and stability. One would have to think that the future generations of Burma, Laos and Cambodia also see ASEAN as a vehicle to move their nations out of their present conditions.

ASEAN is not a cure all. For as noted previously, difficulties and differences abound. However, ASEAN represents the direction that other Southeast Asian nations should take. The PRC, where there is freer trade but not freer people, does not represent a viable alternative. ASEAN and Southeast Asia have to grow within its historical and shared geographical interests. The success of ASEAN is, for the most part, attributed to the rise of market forces and a definitive choice by even autocratically oriented governments such as Singapore to allow for less control and direction over the economy. The goal being the

"aspiration toward greater efficiency
associated with the operation of market
forces and the disenchantment with non-

market mechanisms to govern the use of resources." 12.

However, a fundamental change must take place in the governments of those nations emerging from the command economy model. For economic growth and efficiency comes with a price tag.

"Market oriented reform in the communist countries will contribute to economic pluralism and diversity, which are likely (though not certain) to promote political pluralism and perhaps a gradual transformation of the communist system." 13.

Has this fundamental change taken place? According to Fifield, "Vietnam's acceptance of the regional concept is definite. When Hanoi expresses views on Southeast Asia the areas covered is the same as ASEAN's perception." 14.

Interaction between Vietnam and ASEAN as well as other states allows for a greater perspective and understanding of the current global environment where trade and commerce are without peer. Such continued affiliation will hopefully produce liberalization of both government policies and practices.

Conversely, what would happen if the global economy weakened and the demand for ASEAN exports declined? Would this in turn, lead to a backtracking toward more autocratic governments? One would think not, since the overall economic and political health

of ASEAN has demonstrated policies that work and those that have not worked. The creation of a pluralistic nation with various forms of political freedoms makes it all the more difficult to revert back to the old days of restrictive governments. ASEAN is the model for the balance of Southeast Asia to join and follow.

U.S. POLICY TOWARD ASEAN:

"It is in the best interests of the United States that ASEAN remain strong. American economic stakes in the region have grown enormously, security commitments remain substantial, the area's strategic relevance and resource endowment are considerable, and political convictions of the indigenous governments largely conform to those in Washington." 15.

Messrs. Indorf and Mayerchak have succinctly stated both an accurate and contemporary point of view relative to ASEAN. As noted previously, ASEAN will remain partially dependent upon the openness of U.S. markets for economic stability. It would seem prudent to converge the interests of ASEAN and the U.S. into a mutually acceptable relationship that addresses the political, security and trade areas. Has the U.S. pursued such a course? In a REPORT TO CONGRESS 1992, "A STRATEGIC FRAMEWORK FOR THE ASIAN PACIFIC RIM", the identification of the organization ASEAN occurs but twice. And while the document addresses the entire Pacific Rim, it would appear that ASEAN should earn greater attention. Instead, the document refers to U.S. allies and "friends" and approaches the issues and problems from the bilateral perspective. This bilateral approach basically reflects the conditions of another era, and to some degree, the

military alliances that the U.S. deemed appropriate at that time. By failing to address ASEAN in a proper context, the U.S. is remaining essentially static and missing out on the opportunity for greater exchange and progress with Southeast Asia. Since there has been a shift from military and security considerations to a trade and economic basis for relationships, pursuing old bilaterals based on security is inappropriate and less flexible. The U.S. was successful in pursuing its "places, not bases" policy with Singapore in the wake of the Philippine expulsion. Would it not be more productive to seek "places, not bases" with the ASEAN organization? Disinclinations from the past might be overcome by utilizing the ASEAN structure as an umbrella for such discussions. Indigenous politicians could market such agreements under ASEAN while retaining the right to determine the scope of the implementation.

Aside from security issues, the U.S. political posture in the region would be enhanced by recognition of the role of ASEAN in Southeast Asia. An example is the U.S.-Vietnam recognition and trade issue. The world recognizes the political entity called Vietnam and trades with it in spite of the U.S. sanctions. A most recent example:

"The Russian Tupolev that Vietnam Airways used for flights to Hanoi has been replaced with a shiny Boeing leased from an Australian company. Less conspicuous goods arrive by

similarly roundabout routes." 16.

The U.S. and Vietnam could reach a quiet and face saving agreement through the integration of ASEAN as a mediator as well as an organization with a vested interest in the region. Rather than the U.S. pressing for democratic reforms in the region, ASEAN would be the model for Cambodia, Vietnam, Laos and Burma to emulate. This would strengthen ASEAN and provide a vehicle for the U.S. to overcome some of the sensitive problems it has experienced in the recent past.

A high ranking official of the Bush administration in his remarks before the Industrial College and the National War College warned that the U.S. must continue to work with Japan in the Pacific in order to realize the foreign policy goals of the U.S. Certainly, Japan is and will continue to be a major focus of U.S. policy, however, this focus should not be at the expense of other nations and organizations. The emergence of the NIEs, or Newly Industrialized Economies in the Pacific Rim is a harbinger of the "Century of the Pacific" in which Japan will play a role. But just as the U.S. is no longer the single dominant economic power in the world, Japan will lose ground to its Pacific neighbors. A more flexible policy will account for the dynamics of the Pacific Rim and allow for the U.S.-Japan relationship to gravitate to its proper perspective. The U.S. support for the APEC (Asia Pacific Economic Cooperation) places Japan and Australia as U.S. allies in inappropriate positions

given the emerging levels of trade. The overall vastness of the APEC initiative should not limit or detract from other important U.S. initiatives and should not be "pushed" at the expense of regional efforts. For the Clinton administration, the following pertains:

"A major task for the new leadership
will be to enhance our economic ties
with ASEAN and other smaller states
of the Pacific area." 17.

The U.S. should move into the next century with an overall foreign policy that is "pro" rather than the "anti" policies of the containment era. The goals are different, the policies should be different. The "pro" policies of the U.S. should be as follows:

pro market economy development
pro regional institution growth
pro democratic oriented governments

and pro expansion of the above elements for those nations coming out from under the influences of communism and command economies. Finally, ASEAN should be elevated to a higher political and diplomatic level in U.S. foreign policy. Bilateral relations should remain an important segment of U.S. policy but not at the expense of developing regional policies that reflect the contemporary environment.

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