

URGENT ISSUES IN U.S.-SOUTHEAST ASIAN RELATIONS FOR 2021

REPORT OF AN INDEPENDENT TASK FORCE
SPONSORED BY THE ASIA FOUNDATION



The Asia Foundation

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This report was prepared by nine members of an independent task force, and the views expressed in this report are their own, not those of their affiliated institutions or The Asia Foundation.

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EDITORS' PREFACE

Southeast Asian leaders are accustomed to fluctuating levels of attention from the United States, but U.S. policy for Southeast Asia in the past four years might be described as more than a fluctuation. Changes in diplomatic direction and trade policy have led to a loss of U.S. focus and influence in the region, while heightened U.S.-China tensions have often placed Southeast Asian countries in the crossfire.

When the new administration takes office in January 2021, it will face major domestic challenges, despite the resolve to restore American participation and leadership on the world stage. These challenges include taming a pandemic that will likely worsen in the winter, formulating and securing political support for an economic recovery plan, and easing social tensions.

Even so, there are urgent foreign policy challenges for the first year of the new administration. Foremost among these for U.S. relations with Southeast Asia will be agreements to provide and help distribute vaccines for Covid-19, and associated decisions about returning the United States to the World Health Organization, including cooperation with COVAX. Concurrently, the U.S. will have to support the region's economic recovery. Seeking a return of the United States to the Paris Agreement on climate change will also affect U.S. relations with Southeast Asia, since that region is an acknowledged "hot spot" for the impact of global warming.

Other important initiatives may take longer, but it will be important to lay the groundwork for them early on. In that regard, in formulating U.S. policy for Southeast Asia, the new administration and Congress should take note of several major issues.

The U.S. government lacks a coherent trade policy for Southeast Asia.

The withdrawal of the United States from the Trans-Pacific Partnership was a blow to multilateral trade in the Asia-Pacific region, even for countries that had not yet (or might never have) decided to seek entry into the TPP. It was not a fatal blow, however, and Southeast Asia is attempting to move forward multilaterally where possible: with the Regional Comprehensive Economic Partnership (now without India); with the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP), a slightly-renegotiated version of the TPP; and with the European Union's incremental attempt to fashion an EU-ASEAN Free Trade Agreement, which is increasingly well-received on the Southeast Asian side.

In the past three years, Washington has not just forfeited leadership in a key multilateral trade framework, but has also failed to deliver its promised substitute: new (or reconfigured) bilateral agreements. Instead, the United States has simply pressured Southeast Asian countries to reduce their trade surpluses by buying more American goods. Without a doubt, the economic downturn and disruption of supply chains brought on by the Covid-19 pandemic is a rare opportunity for the United States, as well as other countries, to reassess the trade environment and formulate policies that will enable Southeast Asian leaders to write the United States more fully into their own trade regimes.

The United States is not a major player in the infrastructure race in Southeast Asia.

With a focus on high technology and energy, it is difficult for the United States to find a niche in a region in which railways, roads, and ports dominate infrastructure plans. However, the infrastructure game in Southeast Asia is also a competition for geostrategic advantage, and the United States cannot afford to remain too far on the sidelines. The BUILD Act is a positive step, but not sufficient, if only because it is not likely to provide the critical mass of funding for Southeast Asia needed to make a difference.

Formal U.S. security alliances in Southeast Asia are outdated and do not reflect the complex security dynamics in the region.

Treaty alliances convey some privileges as well as status, but they are also a drawback in a region such as Southeast Asia, where the foreign policy of all 10 countries is to balance relations with the major powers to the best advantage of the smaller states. Moreover, U.S. security policy since the Vietnam War has expanded to include newer partners (Singapore) and former adversaries (Vietnam) while sometimes downplaying longtime friends (Thailand in particular). In their own ways, at different times and for different reasons, both Bangkok and Manila have pressed Washington to reconsider and reshape (but not jettison) their alliances, to little avail. Some creative defense diplomacy in this area is overdue, to devise a configuration that would more accurately reflect Washington's security relations in the region and foster stronger linkages between U.S. security partners in Southeast Asia and other U.S. allies.

By rejecting a leadership role on climate change, the United States has forfeited opportunities for greater influence in Southeast Asia, particularly with the mainland states.

Worldwide, countries have often accepted the long-term effects of environmental degradation in exchange for short-term economic gain. Southeast Asia has many such examples, but is likely to experience the consequences of this practice sooner than the United States, whether in rising sea levels that will inundate the Mekong Delta, or shorter fishing seasons in Tonle Sap. Some U.S. economic assistance for the environment in Southeast Asia continues (mostly below the radar, and despite the U.S. withdrawal from the Paris Agreement), but the absence of the bully pulpit in Washington weakens the standing of Southeast Asian government officials as well as activist groups that seek to address the problem before it worsens beyond control. In the near term, signs point to greater focus on—and competition for—the Mekong Region.

Southeast Asian leaders are not interested in returning to bloc behavior, and attempts by the United States to involve them in a new “Cold War” with China will backfire.

It has become a cliché that Southeast Asian countries do not want to be forced to “choose” between Washington and Beijing; an underlying truth is that they have indispensable needs for both great powers. Moreover, despite a common resolve to avoid domination by any outside power, there is no monolith within ASEAN in terms of policy toward either the United States or China.

China is ASEAN’s largest trading partner and a growing source of foreign direct investment. In 2019, ASEAN became China’s largest trading partner as well, surpassing both the United States and the European Union. However, Southeast Asians fear over-dependence on Beijing and the possibility that

China will use economic power for strategic advantage in some situations. The appeal of the United States is that of a distant power—unentangled in ancient, regional rivalries—that can offer both a security umbrella and a leg up the supply chain through access to its market. However, Washington has proved at times to be an unreliable partner; moreover, the U.S. turn toward unilateralism after 2016 runs counter to ASEAN’s attempts to engage the larger powers of the region through multilateral arrangements.

U.S.-China competition will not fade with the change of administration in Washington; indeed, it may spike further as Washington and Beijing seek to reach new accords on trade while the United States contemplates “decoupling” in technology and other areas. However much it may wish to, Southeast Asia will not be able to remove itself from the midst of this competition in every instance. However, a stronger relationship with the United States will give Southeast Asian countries greater ballast in navigating relations with larger regional powers. The resulting stability would benefit the United States as well as the smaller nations of Southeast Asia.

ASEAN is showing strain and requires greater and more focused attention from the United States.

The Covid-19 pandemic has impaired supply chains and trade paths within Southeast Asia, as it has with ASEAN’s external trade partners. Internal divisions within the group, particularly over relations with China, are widening. On an existential level, ASEAN fears that its frameworks, which have long been a basis for regional dialogue and cooperation, are being marginalized by great power arrangements. U.S. diplomatic attention to Southeast Asia in general has been spotty over the past four years, but it has been particularly lackluster in relations with ASEAN itself, with no Senate-confirmed U.S. Ambassador to ASEAN in place in Jakarta.

Given the region’s strategic importance, it is imperative that the United States engage with Southeast Asia and its regional organization, the Association of Southeast Asian Nations (ASEAN), in a reliable and consistent manner.

This Asia Foundation Task Force Report identifies the greatest challenges and opportunities for U.S.–Southeast Asian relations for the first 12 to 18 months of the new U.S. administration and Congress.

The nine members of the Task Force that prepared this report are scholars, analysts, and practitioners who work for think tanks, nongovernmental organizations, business associations, and the private sector. They offered their insights based on their analytical expertise and their broad experience in Southeast Asian countries. They participated in their personal capacities only, and the views expressed in this report are their own, not those of their affiliated institutions or The Asia Foundation.

As of this writing, the world is in the midst of a global pandemic of a severity unseen for more than a century, and the challenges described here, and the options to address them, reflect the Task Force’s recognition that policymakers will have to operate under these unprecedented circumstances.

As cochairs of this project, we would like to thank the Task Force for their expertise, their dedication, and their unfailing collegiality. We also extend our thanks to Walter Lohman, director of Asian studies at The Heritage Foundation, for his thoughtful and insightful comments on the draft report. Special thanks are also due to Program Officer Shirley Keating of The Asia Foundation for her superb administrative skills and the technological know-how that enabled the task force to meet virtually.

Finally, our editors wish to express their gratitude and appreciation to Chevron Corporation for generously supporting this project.

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SECURITY CHALLENGES IN U.S.— SOUTHEAST ASIAN RELATIONS

Southeast Asia is on the frontlines of Sino-U.S. competition and will be so for the foreseeable future. Meanwhile, the region will remain home to a complicated mix of nontraditional security threats that require American attention. These include maritime crime, natural disasters, and the threat of terrorism, especially by foreign fighters returning from the Middle East. For the immediate future, three aspects will challenge U.S. security interests in the region:

The South China Sea

China's completion of artificial island bases in the Spratly Islands has radically upended the status quo in the South China Sea and, more broadly, regional maritime security. The South China Sea is well on the way to becoming Chinese waters. Beijing completed most island-building in 2016 and had its major infrastructure on the islands in place by late 2017. Since then, Beijing has steadily deployed naval, coastguard, and paramilitary forces to the islands in unprecedented numbers. Their ability to use the islands as forward operating bases means that China's law enforcement can maintain a 24/7 presence throughout the South China Sea. Hundreds of fishing militia vessels operate in the Spratlys daily, and Philippine, Malaysian, and Vietnamese ships must now operate in their own waters under the constant threat of Chinese harassment. Beijing tries to aggressively block all new energy exploration in the South China Sea. Its fishing fleets outcompete Southeast Asian fleets off their own shores. And its naval and militia boats seek to harass American and allied navies operating in international waters.

If current trends continue, fish stocks, already pushed to the limit, will collapse. Southeast Asian states will be forced to abandon offshore energy exploration, as no commercial actor will accept the risks of operating in the South China Sea. China will declare large parts of this sea internal waters and airspace, encompassed by straight baselines drawn around the Spratlys. And while the United States and a

select few foreign navies will sail through these baselines from time to time, it will not help China's neighbors, who will be boxed out of their own waters.

Weakening alliances

The United States' two formal Southeast Asian alliances are both adrift. That, in turn, threatens U.S. presence and ability to respond to important threats, from the South China Sea to terrorism and more. The U.S.-Thailand alliance has been without strategic ballast since the end of the Vietnam War. Bangkok is most comfortable balancing its power relationships, and there is growing evidence that the window of Thai-Chinese security cooperation is widening.

Although the history and current rationale for the U.S.-Philippines alliance differs from that of the U.S.-Thailand relationship, it too is under strain. The United States cannot afford to allow that strain to move toward a rupture. The Philippines occupies critical geography—there can be no successful deterrence strategy against Beijing in the South China Sea without American access to Philippine bases. Without that, the United States would be forced to operate from Okinawa and Guam—too far from the theater to be credible.

Public opinion shows that most Filipinos, including in the military and the bureaucracy, share U.S. perceptions of China as a growing threat. President Rodrigo Duterte has exacerbated tensions in the alliance that derive partly from asymmetry in the relationship, and will likely continue to do so until he leaves office in 2022. Duterte's intention to terminate the U.S.-Philippines Visiting Forces Agreement (VFA) has been suspended for another six months, an invitation to the new administration to put the security relationship on stronger footing.

The Belt and Road Initiative

Since Xi Jinping unveiled his trademark Belt and Road Initiative (BRI), observers have worried that it was a stalking horse for Chinese military ambitions across the Pacific and Indian Oceans. These concerns have often been

overblown, but some of China's planned infrastructure projects give cause for concern on security grounds. In Southeast Asia, there is reason to worry about Kyaukpyu Port in Myanmar and especially Ream Naval Base and the Dara Sakor airport in Cambodia.

Kyaukpyu predates the BRI and is of considerable strategic importance to China. Beijing has built an oil and gas terminal at this village on the Bay of Bengal, which gives China its first viable way to import hydrocarbons from the Middle East while avoiding the Malacca Strait. But China's ambitions are bigger, envisioning a deep-water port and special economic zone in this backwater, neither of which makes commercial sense for Myanmar. For Beijing, they are meant to anchor the China-Myanmar Economic Corridor, which will provide a much shorter route for transporting goods to and from China's southwestern Yunnan Province. And it is widely assumed that they will serve as a hub for resupply and replenishment of Chinese naval assets operating in the Indian Ocean.

China's involvement in Cambodia is more concerning. Beijing is widely reported to have reached a deal with Phnom Penh for access to the Ream Naval Base. Both governments have publicly denied such a deal, but Chinese military officials just toured the base in mid-2020. Cambodia recently demolished U.S.-built facilities there without warning, and Ream is surrounded by large resort developments and a planned port project that are being run by Chinese companies with close ties to Beijing. China is also responsible for building a new airport at remote Dara Sakor, not far from Ream. The project involves a suspiciously long runway of 3,000 meters (larger than the runway at Phnom Penh's international airport) with no apparent commercial rationale. Given Cambodia's frequent role as a proxy for Chinese interests in Southeast Asia, the danger of a permanent Chinese military footprint in the country is concerning. Potential use of Dara Sakor is particularly worrying, as it could allow China to project limited air power over Thailand, the Strait of Malacca, and the eastern Indian Ocean.

POLICY OPTIONS

Security policy is a matter both of action and reaction, and the former lends itself more readily to recommendations than the latter. Moreover, Southeast Asia's security depends almost entirely on dynamics within the broader Asia-Pacific region rather than within the ASEAN region itself. Lastly, domestic politics—in the United States as well as Asia—can affect cooperation on security as much as the perception of a common threat.

In this context, the following are immediate policy options:

- 1. Build broader coalitions to impose costs on Beijing for bad behavior in the South China Sea.** If the United States hopes to impose costs effectively and incentivize Beijing to compromise with its neighbors, it will need to find a way to bring European, Indian, and other external players along.
- 2. Consider trade-offs involved in maintaining access to the Philippines.** The Visiting Forces Agreement could still be terminated before Duterte leaves office, and there is no guarantee that security cooperation with the next administration in Manila will fare better. Abrogating formal U.S.-Philippines security agreements would arguably violate Manila's own obligations under Article II of the Mutual Defense Treaty and could present Washington with an excuse to walk back its own defense commitments, but that would carry major strategic costs. Maintaining access could require difficult compromises, including finding financial inducements for Manila and, at least until 2022, moving human rights criticisms from public to private diplomatic channels.

3. Enter into serious dialogue with Thailand on the basis for a 21st century alliance. Without a doubt, political instability in Thailand—ranging from military coups to urban warfare between political factions—has negatively affected the security relationship over the past two decades. As well, Washington is often more lavish with praise for its newer security partners—Singapore, Vietnam—than its traditional treaty allies in Southeast Asia. But a deeper and more longstanding problem in the U.S.-Thailand alliance is a growing gap between Washington and Bangkok in threat perceptions in the region. This could change as China becomes ever more assertive in the South China Sea, and particularly as it considers a strategic outpost in the Gulf of Thailand through Ream or Dara Sakor. Moreover, Thailand is concerned about Beijing’s water management of the Upper Mekong and the negative repercussions this can have for millions of farmers and fishermen in Thailand and elsewhere in the Lower Mekong subregion.

4. Nurture a security relationship with Vietnam, but continue to take it slowly and keep expectations in check. The United States and Vietnam share a perception of China as a threat. The two sides have divergent political values, however, and many Vietnamese elites remain distrustful of long-term U.S. intentions. Human rights in Vietnam will also be a continued source of tension. Strengthening the security relationship makes good strategic sense, but it will not progress as fast or as far as some in both capitals might like, and ill-advised attempts to push it will almost certainly backfire.

CHALLENGES AND OPPORTUNITIES IN U.S.–SOUTHEAST ASIAN ECONOMIC RELATIONS

Strengthening U.S. economic ties with Southeast Asia should be a top priority of the next administration's Asia strategy. Economic ties currently are the weakest aspect of this critical relationship, although ASEAN collectively is the fourth-largest U.S. trading partner. The United States has fallen behind its competitors in developing frameworks to deepen its economic partnerships in Southeast Asia. The United States has but one free trade agreement (FTA)—with Singapore—and few other trade-related agreements with ASEAN or any of its members.

Meanwhile, U.S. competitors and rivals have concluded agreements with ASEAN or ASEAN member states that give them preferential access and the ability to set trade rules that advance their economic and strategic interests. ASEAN countries, China, Japan, Korea, Australia, and New Zealand signed the Regional Comprehensive Economic Partnership on November 15, 2020, an agreement they anticipate will strengthen regional supply and production chains.

The EU has concluded bilateral FTAs with Vietnam and Singapore and is seeking to conclude negotiations with Indonesia in 2021. These agreements are intended as building blocks for a future ASEAN-EU agreement. Several ASEAN members also are party to the CPTPP, linking them to countries across the Pacific. In addition, while the U.S. record of engagement at ASEAN summits is spotty, the EU holds annual leaders-level summits with ASEAN, alternating hosting responsibilities and bringing along large business delegations. China holds a similar bilateral summit with ASEAN.

ASEAN is the top destination for U.S. foreign direct investment in Asia, a vital link in U.S. value chains, and a destination of increasing interest to U.S. companies considering relocating out of China. The economic potential of the region is vast. Collectively, ASEAN has the third-largest population in the world and a growing middle class, offering a huge market for U.S. goods and services. ASEAN has the third-largest workforce in the world, buttressed by its young

population—a demographic dividend set to last through the next few decades. Economic growth has been depressed in 2020 by the Covid crisis, but it is expected to rebound in 2021 and beyond.

The *e-Conomy SEA 2020* report by Bain, Google, and Temasek recorded 400 million internet users in Southeast Asia and 40 million new connections, giving ASEAN the “most engaged mobile internet users in the world.” The global pandemic has reinforced the importance and hastened the adoption of digital technology in the United States and ASEAN countries alike. At the same time, it has led many governments to rush to regulate in such areas as privacy, data flows, artificial intelligence, and cybersecurity.

POLICY OPTIONS

Immediate options in pursuit of stronger U.S. economic relations with Southeast Asia include:

- 1. Strengthen economic diplomacy through the establishment of a U.S.-ASEAN Economic Forum.** Convene the first of a U.S.-proposed annual U.S. and ASEAN economic ministers forum, to be held in 2021. Hold this first meeting in the United States alongside a leaders summit to demonstrate the U.S. commitment to the region, and thereafter rotate between the United States and ASEAN. From the U.S. side, include the top economic officials, including the U.S. trade representative; the secretary of commerce; the administrator of the Small Business Administration; the under secretary of state for economic growth, energy, and the environment; the CEO of the Development Finance Corporation; the president of the Export-Import Bank; and the director of the U.S. Trade and Development Agency, and seek similar participation from ASEAN. Make clear that the United States seeks to upgrade economic relations with ASEAN to match the level of bilateral engagement on defense and security issues.

2. Put the following new or expanded trade agreements on the table.

Announce a refocused and elevated U.S.-ASEAN Trade and Investment Framework Agreement (TIFA) workplan. Reinvigorating the longstanding TIFA through a concrete demonstration of the U.S. commitment to the relationship would be a better use of resources than negotiating a new framework that has the same purpose. The workplan should highlight the U.S. interest in deepening economic linkages and shaping regional trade rules to advance shared interests, including through plurilateral agreements (see below) or cooperative efforts rather than punitive action. The workplan also should indicate that the United States intends to expand capacity building and technical assistance to support the workplan's objectives.

Digital trade. Negotiate a digital trade agreement with those ASEAN countries prepared to sign on to the U.S. model. The agreement should be based on the U.S.-Japan Digital Trade Agreement and the Digital Trade chapter of the U.S.-Mexico-Canada trade agreement, including obligations that ensure the free flow of data across borders, prohibit the imposition of duties on digital products transmitted electronically, set parameters for a digital services tax, and limit the forced disclosure of source code and algorithms as a condition of market access. The United States should conclude an agreement expeditiously with as many ASEAN countries as possible, adding others as they are ready.

Include ASEAN states in new or broader trade agreements when and where possible. Consider ASEAN members as candidates for new regional or bilateral trade agreements, which would support U.S. efforts to rebuild from the Covid crisis and strengthen the U.S. leadership role in the Indo-Pacific region. New trade agreements would improve U.S. access to the large and dynamic markets of ASEAN and level the playing field for U.S. businesses vis-à-vis their competitors that already have preferential access to these markets. While concluding a U.S.-ASEAN regional trade agreement would be challenging, the United States should consider the participation of those ASEAN countries ready to meet U.S. standards in any Indo-Pacific regional trade agreement it may pursue. Doing so would promote common rules based on U.S. approaches

and more closely align our interests and values. ASEAN countries, including Singapore and Vietnam, have demonstrated that they are prepared to meet the type of ambitious standards the United States would seek in a trade agreement.

- 3. Forge a supply chain initiative aimed at promoting secure and resilient U.S.-ASEAN supply chains.** The United States plans to repatriate production of certain strategic products and to encourage the reduction of dependence on a single country, especially China, for the supply of goods. ASEAN is already an important U.S. trading partner for both intermediate and finished goods, a significance likely to grow as many U.S. companies seek to diversify or relocate entirely from China. Negotiate U.S.-ASEAN customs agreements that allow for the participation of ASEAN companies in U.S. Customs and Border Protection programs such as the Customs Trade Partnership Against Terrorism, which helps companies identify their security vulnerabilities and provides a range of trade facilitation benefits. At the same time, seek reciprocal benefits for U.S. companies in ASEAN markets.
- 4. Seek ASEAN cooperation on WTO reform.** WTO members have been unable to negotiate new trade agreements or agree on updated rules, and the WTO's dispute settlement system is paralyzed. This stalemate risks unraveling the global trade order, unleashing a protectionist wave, escalating trade conflicts, slowing economic growth, and threatening international stability. ASEAN members recognize that the global trading system has generated remarkable improvements in their living standards, even as they acknowledge that WTO rules and procedures need to be updated. As the United States considers proposals for WTO reform, it should seek ASEAN backing and be attentive to navigating differences in ways that serve to strengthen common interests with ASEAN countries, who can help build support among other developing countries.

U.S. CHALLENGES AND OPPORTUNITIES IN INFRASTRUCTURE DEVELOPMENT IN SOUTHEAST ASIA

For the past decade, ASEAN's principal economic partner has been China. Southeast Asia is integral to China's ambitious Belt and Road Initiative (BRI), and while the United States remains an important trade and investment partner, U.S. companies have shown little inclination to feed ASEAN's \$2 trillion-per-year appetite for infrastructure investment. Finding strategically significant entry points into Southeast Asian infrastructure development is further complicated for the United States by several constraints embedded in American policy.

The interest of the U.S. government (USG) in the regional economy and commercial opportunities in Southeast Asia centers on market access and regulatory reform, not infrastructure development. Because of this, the USG has prioritized relatively insignificant issues such as trade deficits; programs like the Generalized System of Preferences (GSP), which offers preferential access to U.S. markets; regional alignment to counter China's economic statecraft; and modest efforts with allies and partners to coordinate infrastructure assistance. The USG conducts market research and advocacy for investment opportunities, but except for publicly available reports like the State Department's Investment Climate Statements and the Commerce Department's Country Commercial Guides, these services are provided at the request of American businesses, not on the initiative of the USG. As a consequence, the government's efforts lack strategic focus.

Regional infrastructure priorities do not match U.S. strengths. Regional governments are looking for turnkey solutions and are focused on roads, bridges, ports, and airports.¹ These are not strengths of the U.S. international investment profile. And in sectors where the United States is well placed to meet Southeast Asian needs—including power generation, ICT infrastructure, healthcare, and engineering—American general contractors are overwhelmingly more interested in the massive U.S. domestic market. The U.S. government has no power to compel

1 White & Case, 2019, Cutting through the Noise: Infrastructure in Asia-Pacific 2019 (White & Case), <https://www.whitecase.com/publications/insight/asia-infrastructure-cutting-through-noise>.

these companies to change their cost-benefit calculations, and unlike China and Japan it has limited resources and few tools to incentivize them.

The U.S. system and American budget constraints severely limit what the USG can add to its current contribution to regional infrastructure development. With skyrocketing government debt and spending deficits, new grant programs will be difficult to sell in Washington, and lending and guarantee programs will become even more risk averse. Meanwhile, the USG's preferred model, leveraging private-sector investment, has uncertain prospects for success, given private finance's small share of infrastructure investment in the developing world generally and mixed trends in Southeast Asia in particular. According to the World Bank, such private participation in infrastructure investment has averaged about \$110 billion a year over the past decade, providing one-fifth of total investment, or just 13 percent of the amount required. The private-sector investment that has been forthcoming has gone disproportionately to upper-middle-income countries.

The assistance the United States does provide, through the Development Finance Corporation (DFC), the Millennium Challenge Corporation, USAID, and other programs, tends to focus less on the hard assets the region values most, like highways, railways, and ports, and more on soft-power instruments and human capacity development. Programs to help officials evaluate investment impacts, make proposals bankable, negotiate better contracts, etc., are viewed in the region as "nice to have" but meet with a degree of skepticism given the small sums involved. These projects are seen as incidental to larger, more pressing infrastructure needs.

WHY IT MATTERS

From a strategic perspective, U.S. involvement in building Southeast Asia's infrastructure matters because such engagement is a major source of influence, particularly vis-à-vis great-power competition. It can also enhance regional resilience, ASEAN's *raison d'être* and an objective embraced by at least the last three American presidential administrations and successive U.S. Congresses.

Development, including infrastructure, is a major, often overriding priority for Southeast Asian governments. Those that serve this priority will gain influence by creating a comparative advantage for their country, spurring economic growth, new jobs, and ultimately public support, including support at the polls among the region's democracies. In fact, infrastructure-led development and the systems of social management that grow with it—classic nation-building, in other words—are far greater priorities for regional governments than the foreign-policy and security issues that absorb Washington's attention in the region.

The following data points reflect the current state of affairs concerning infrastructure in Southeast Asia.

- ASEAN has tremendous infrastructure needs. The Asian Development Bank (ADB) has reliably calculated ASEAN's infrastructure gap at \$2.8 trillion for 2016–2030.² The region has many more needs today than it can fund through domestic financing or government spending, even with revenue-enhancing reforms and additional support from the World Bank, the ADB, the Asia Infrastructure Investment Bank (AIIB), Belt and Road Financing, or ODA from partner nations. So, there is plenty of opportunity to go around if projects can be made bankable. If they cannot be made bankable, the opportunity will continue to go to governments with official options at their disposal, crowding out approaches most favorable to the American model.

2 PWC (PricewaterhouseCoopers), 2017, *Understanding Infrastructure Opportunities in ASEAN*, Infrastructure Series Report 1 (PWC), <https://www.pwc.com/sg/en/publications/assets/cpi-mas-1-infrastructure-opportunities-in-asean-201709.pdf>.

- China is by some measures now the leading infrastructure investor in the region. By any measure, it vastly outspends the United States. According to research published by the Brookings Institution, Chinese ODA, other official financing, and leveraged private capital commitments from 2008 through 2016 were 40 times the size of U.S. commitments. Trends since 2016 point in the same direction.³ This correlates with a perception in ASEAN, echoed by roughly 80 percent of policy leaders in a recent survey, that China is the most influential power in Southeast Asia.⁴ This stands in contrast to the general advantage the United States continues to enjoy in overall levels of foreign direct investment in Southeast Asia.
- Official initiatives by the United States to involve itself more deeply in the region's infrastructure plans have been many, but too often narrowly specialized, meagerly resourced, and misdirected. Among them have been the Infrastructure Transition Assistance Network, the Transaction Advisory Fund, the U.S. Trade and Development Agency, the Smart Cities Partnership, Enhancing Development and Growth through Energy (EDGE), and the Blue Dot Network. All are designed to improve the bankability of projects, help make them financially sustainable, and improve the standards governing investments. The United States has also used MOUs to seek common cause in the region with partners including Japan, Australia, and Singapore.
- The USG's primary program is currently the DFC, which in its initial year of operation has financed just one infrastructure project in Asia, a \$40 million broadband project in Myanmar. Also related to Southeast Asia is a \$190 million loan to "support the world's longest telecommunications cable," which will, according to the DFC, connect the United States to Singapore and Indonesia and potentially serve several other markets in Southeast Asia as well. Otherwise, DFC appears to be heavily invested in programs of little strategic

3 Roland Rajah, 2020, Mobilizing the Indo-Pacific Infrastructure Response to China's Belt and Road Initiative in Southeast Asia (Brookings Institution), https://www.brookings.edu/wp-content/uploads/2020/04/FP_20200429_mobilize_compete_rajah.pdf.

4 Tang Siew Mun et al., 2020, The State of Southeast Asia: 2020 Survey Report (ISEAS-Yusof Ishak Institute), https://www.iseas.edu.sg/wp-content/uploads/pdfs/TheStateofSEASurveyReport_2020.pdf.

value and diffuse global impact—a \$12 billion effort in Latin America and a \$765 million loan to Kodak (currently on hold while corruption charges are investigated) to produce pharmaceutical ingredients in the United States. Neither of these has anything to do with foreign infrastructure development in Southeast Asia.

- Multilateral development banks (MDBs) that the United States should be able to activate are no longer as interested in building infrastructure abroad as they once were.⁵ The ADB, in contrast, is stepping up its efforts in the region.⁶ The ADB has also expressed an interest in increasing private-sector engagement in the development and expansion of Southeast Asia's infrastructure.

POLICY OPTIONS

Viable options for involving the United States in regional infrastructure in Southeast Asia must conform to existing policy constraints, constraints that will not be alleviated by government action.

1. **Leverage existing resources.** The United States should not try to compete in total levels of investment, and it should not promote its efforts in these terms. Neither does it need to compete on a project-by-project basis. It should bring existing government resources to bear on significant and visible projects in energy, ICT infrastructure, and other sectors where it has a comparative advantage, or on critical and highly visible components of such projects. In all cases, U.S. engagement should focus on quality, transparency, and good governance. Where possible, it should cooperate with MDBs, including possibly the AIIB.

5 Rajah 2020 (note 3), https://www.brookings.edu/wp-content/uploads/2020/04/fp_20200424_infrastructure_southeast_asia.pdf.

6 ADB (Asian Development Bank), 2017, "Infrastructure Development in Asia: 12 Things to Know," ADB website, May 8, <https://www.adb.org/news/features/infrastructure-development-asia-12-things-know>.

2. **Promote bankable projects.** The United States should focus on making the region's private-sector tenders bankable, in order to increase the number of projects that can attract American investment without American financing or direct assistance. Where practical, the USG should partner with organizations such as Singapore's Infrastructure Asia, which also seeks to encourage bankable projects, and it should continue to grow the Blue Dot Network in Southeast Asia.
3. **Emphasize tools and training.** The United States should emphasize its various ongoing programs to provide the tools (e.g., software, training, information, and personnel) to help local and national governments in the region to follow international best practices and principles and to determine the full lifecycle costs and other environmental and social dimensions of infrastructure projects.
4. **Amend the BUILD Act.** Amend the BUILD Act to explicitly require investments to have both an infrastructure focus and a strategic connection to competition with China. In this regard, attention should be given to the law's policy statement, purpose, reference to enterprise funds, and reporting requirements.
5. **Continue to collaborate with allies and partners like Japan and Singapore to promote alternatives to China's exclusive investments and standards.** At the same time, the United States needs to be a visible part of specific projects. Diversification and non-Chinese branding are important, but so is U.S. branding.
6. **Establish an annual, one-day U.S. meeting on infrastructure in Southeast Asia to develop a whole-of-country approach to the region's infrastructure needs.** This annual event should include the Development Finance Corporation, the Millennium Challenge Corporation, USAID, the U.S. Trade and Development Agency, the Export-Import Bank, the U.S. State Department, U.S. executive directors of the ADB and the World Bank, and trade and industry associations and key private-sector players. This conference should also have an affiliated track for civil society stakeholders in infrastructure projects, to promote best principles and practices for transparency and engagement.

GLOBAL WARMING'S CLEAR AND PRESENT DANGER TO SOUTHEAST ASIA

Southeast Asia, home to more than 655 million people, is one of the most vulnerable regions in the world to climate change. Many of its largest cities—Bangkok, Jakarta, Manila, Haiphong—are less than five meters above sea level, while others—Hanoi, Yangon, and Phnom Penh—are already subject to seasonal flooding. Extreme weather and rising seas threaten not just the well-being of Southeast Asian nations, but their very existence. The rise of China may have been the most significant event of the twentieth century, but for Southeast Asia the rise of the ocean will be the defining geostrategic event of the twenty-first.

Southeast Asia faces a dual challenge: it must adapt to the effects of decades of greenhouse gas emissions, largely from advanced economies, and it must alter its own development strategies that increasingly contribute to global warming. Average temperatures in Southeast Asia have risen every decade since 1960.⁷ Since 1988, each new year except 2011 has joined the top 10 warmest on record, only to be edged out as the “top 10” window shifts forward in time. Vietnam, Myanmar, the Philippines, and Thailand are among the 10 countries most affected by climate change in the past 20 years, according to the Global Climate Risk Index compiled by Germanwatch, an environmental group.⁸ A 2017 study by the ADB and the Potsdam Institute for Climate Impact Research forecasts a “new climate regime” for Southeast Asia by the end of the century, in which the coolest summer months will be warmer than the hottest summer months of 1951–1980.⁹

Climate change is wreaking havoc across Southeast Asia—from flooding, drought, and severe typhoons to heat waves, water scarcity, and crop-threatening salinization of the great Irrawaddy and Mekong River deltas. Without urgent action, led by

7 IPCC (Intergovernmental Panel on Climate Change), 2018, Global Warming of 1.5°C (IPCC), <https://www.ipcc.ch/sr15/>.

8 Germanwatch, 2019, “Global Climate Risk Index,” accessed Oct. 12, 2020, <https://germanwatch.org/en/cri>.

9 ADB (Asian Development Bank) and Potsdam Institute for Climate Impact Research, 2017, *A Region at Risk: The Human Dimensions of Climate Change in Asia and the Pacific* (Manila, Philippines: ADB), <https://www.adb.org/sites/default/files/publication/325251/region-risk-climate-change.pdf>.

the two largest emitters of greenhouse gases, China and the United States, climate change will impose terrible costs across Southeast Asia and the rest of the Indo-Pacific, imperiling all the progress since the end of the Second World War.

One consequence of rising temperatures is warmer oceans that breed more-violent tropical cyclones. But more-intense storms are just the overture to events that will unfold over decades. As projected in a recent NOAA report:

The high heat capacity of water means that ocean temperature doesn't react instantly to the increased heat being trapped by greenhouse gases. By 2030, however, the heating imbalance caused by greenhouse gases begins to overcome the oceans' thermal inertia...with unchecked carbon dioxide emissions likely leading to several additional degrees of warming by the end of the century.¹⁰

The experts have concluded with high confidence that global warming, even if mitigated by reductions in greenhouse gas emissions, will cause persistent high seas for centuries, if not millennia.

WHY IT MATTERS

In addition to being one of the regions most vulnerable to climate change, Southeast Asia is itself a growing source of greenhouse gasses. CO₂ emissions grew faster between 1990 and 2010 in Indonesia, Malaysia, the Philippines, Thailand, and Vietnam than in any other world region, and they continue to rise at least 5 percent per year as the region burns fossil fuels to drive growth and development. The Paris-based International Energy Agency (IEA) predicts that energy use in the region will grow as much as 66 percent by 2040, with coal accounting for almost 40 percent of that increase.¹¹ Vietnam's coal-fired capacity under active development is the third largest in the world after China and India, according to a

10 Rebecca Lindsey and LuAnn Dahlman, 2020, "Climate Change: Global Temperature," Climate.gov, August 14, <https://www.climate.gov/news-features/understanding-climate/climate-change-global-temperature>.

11 IEA (International Energy Agency), 2017, Southeast Asia Energy Outlook 2017: World Energy Outlook Special Report (Paris: IEA), <https://www.iea.org/reports/southeast-asia-energy-outlook-2017>.

March 2018 report by environmental groups including Greenpeace and the Sierra Club.¹² Indonesia and the Philippines rank fifth and tenth, respectively.

By 2100, absent dramatic action, Southeast Asian states will confront a mean sea level rise of 70cm. The broader economic impact of climate change on the nations of Southeast Asia will be catastrophic, subtracting as much as 11 percent from GDP each year and erasing economic growth that has lifted tens of millions out of poverty.¹³ The IMF has warned of widespread food insecurity and disease:

In the absence of technical breakthroughs, rice yields in Indonesia, the Philippines, Thailand, and Vietnam could drop by as much as 50 percent by 2100 from 1990 levels. Hotter weather is also pushing tropical diseases such as malaria and dengue fever northward to countries like Lao P.D.R., where they were formerly less prevalent.¹⁴

To head off this slow-moving train wreck, time is of the essence. To avoid a temperature rise exceeding the crucial threshold of 1.5°C, carbon emissions must decrease by 45 percent from 2010 levels by 2030. To avoid a catastrophic 2°C rise, emissions must decrease by 25 percent by 2030.¹⁵ A 10-year delay will increase the costs of climate change in 2050 by 60 percent.¹⁶ There is simply no time or excuse for inaction. The United States must focus its attention on climate change as the defining geostrategic threat in the Indo-Pacific and begin marshaling the resources for a coordinated international effort to mitigate the damage.

12 Christine Shearer et al., 2018, *Boom and Bust 2018: Tracking the Global Coal Plant Pipeline* (Coalswarm, Sierra Club, and Greenpeace), https://endcoal.org/wp-content/uploads/2018/03/BoomAndBust_2018_r4.pdf.

13 Mahfuz Ahmed and Supachol Suphachalasai, 2014, *Assessing the Costs of Climate Change and Adaptation in Southeast Asia* (Asian Development Bank) <https://www.adb.org/sites/default/files/publication/42811/assessing-costs-climate-change-and-adaptation-south-asia.pdf>.

14 Amit Prakash, 2018, "Boiling Point," *Finance and Development*, September, <https://www.imf.org/external/pubs/ft/fandd/2018/09/southeast-asia-climate-change-and-greenhouse-gas-emissions-prakash.htm>.

15 IPCC (Intergovernmental Panel on Climate Change), 2018, "Summary for Policymakers," in *Global Warming of 1.5°C* (IPCC), <https://www.ipcc.ch/sr15/>.

16 David A. Raitzer et al., 2015, *Southeast Asia and the Economic Impacts of Global Climate Stabilization* (Asian Development Bank), <https://www.adb.org/sites/default/files/publication/178615/sea-economics-global-climate-stabilization.pdf>.

POLICY OPTIONS

A broad range of responses will be required to avoid worst-case outcomes: mitigation efforts, clean-energy strategies, environmental protection, and governance reform. These initiatives are mutually reinforcing and should be deployed in concert with other nations and global organizations. Although President Trump withdrew the United States from the Paris Agreement on climate change on November 4, 2020, President-elect Biden has vowed that the United States will rejoin, perhaps as early as February 2021. Nonetheless, the United States will have to make tough decisions to prioritize its climate change strategies and allocate limited resources that will allow the United States to be a leader in developing technology that curbs carbon emissions. Moreover, the United States will need to rebuild trust with the other 188 countries that are signatories of the Paris Agreement, including all Southeast Asian nations.

- 1. Mitigate sea level rise.** The coming rise in sea levels will inundate low-lying areas and cause mass migrations across Asia even if there is a halt to the rise of greenhouse gas emissions and a reduction of greenhouse gases in the atmosphere through CO₂ sequestration, reforestation, and other means. This is a reality, and the nations of Southeast Asia must adopt mitigation strategies even as they join global efforts to find a more sustainable economic development model. Dikes and seawalls (hard protection), beach nourishment and the creation of mangrove forests and wetlands (soft protection), and prudent urban planning can all help reduce the impact of rising seas. But flood defenses are not cheap, and careful analysis will be required to choose the right options. Other forms of adaptation, such as planting salt-resistant strains of rice developed by the International Rice Institute, can also reduce the economic impact of sea level rise and help to safeguard the region's food supply.
- 2. Invest in clean energy.** All 10 members of ASEAN signed the Paris Agreement, but their reliance on coal will doom their efforts to meet their Paris emissions targets. Coal is popular because it is abundant and cheap, but it is also being subsidized by developed countries that export thermal power plants

(in the case of Japan) or coal itself (in the case of the United States) to energy-hungry nations.

There is some encouraging news. Malaysia and Thailand are becoming players in the manufacture of solar panels, with the help of Chinese investors seeking to circumvent antidumping duties imposed by the European Union and the United States. The IEA sees the emergence of affordable low-carbon technologies as a path to greater energy efficiency, as declining costs of solar and wind energy boost investment in local manufacturing.

The United States could shift decisively away from coal-fired plants both at home and abroad and strive to convince Japan and other allies to do the same, investing instead in clean energy projects—solar, wind, tidal, geothermal—that would reduce Southeast Asia’s reliance on coal. The United States could offer incentives such as tax breaks, duty-free imports, preferential loans, and easier access to financing to boost investment in renewables. More ambitiously, the United States could build global support for a regional energy development scheme on the scale of the Marshall Plan, to mate clean powerplants to a regional “smart grid” for Southeast Asia’s megacities.

- 3. Protect fragile forests.** Rapid deforestation across Southeast Asia is another major source of greenhouse gases. A variety of techniques have been found to reduce this destruction—debt-for-nature swaps, creating national parks, reforestation, eco-tourism—but corruption, weak governance, and the profit motive continue to drive deforestation. The potential rewards of protecting these environmental treasures are real. According to analysts at the World Resources Institute,¹⁷ enforcing Indonesia’s 2011 logging moratorium in primary forests and peatlands could eliminate 188 million tons of carbon dioxide emissions each year, or about 60 percent of France’s total output in 2016.

17 Arief Wijaya et al., 2017, How Can Indonesia Achieve Its Climate Change Mitigation Goal? An Analysis of Potential Emissions Reductions from Energy and Land-Use Policies (World Resources Institute), <https://www.wri.org/publication/how-can-indonesia-achieve-its-climate-goal>.

To turn the tide, the region needs to develop a consensus in favor of sustainable development. The U.S.-created Lower Mekong Initiative (LMI) has sought to harmonize sustainable development strategies across the region, but the LMI has never been backed by meaningful resources. If adequately resourced, the environmental protection strategies discussed at numerous conferences could be translated from policy blueprints into governmental action plans, implemented in partnership with international organizations such as the ADB, the World Bank, the AIIB, and the IMF.

- 4. Invest in good governance.** As the United States has experienced, there are significant political and practical difficulties associated with shifting away from fossil fuels. Pipelines, public land use, offshore drilling—these issues are fraught with opportunities for special interests to prevail over the interests of average citizens and for carbon-intensive projects to persist in an age when reducing emissions should be a top priority. In Southeast Asia, these pressures are even more acute, and the remedies—transparency, a vibrant free press, strong civil society organizations—are often in short supply. Strengthening governance in the region will require both professionalization of the civil service and investments in NGOs, the media, and civil society.

Here the United States could play a major role, through training and anticorruption programs with law enforcement and by reaching out to NGOs and civil society groups to bolster their capacity to promote clean energy and sustainable development strategies. This would play to an existing U.S.

strength: soft-power investment in human capital. The United States has greater capacity in this area than China, which has largely replaced the United States as a source of aid for large-scale infrastructure projects, and investments in human capital are extremely inexpensive and pay dividends for decades downstream.

LONGER-TERM POLICY ISSUES

Aside from the Covid-19 pandemic and the development of a vaccine to fight this scourge, the preceding sections of this report have addressed the greatest and most urgent challenges in U.S.–Southeast Asian relations and suggested policy options for the next U.S. administration and Congress to consider when they are sworn into office in January 2021. But there are other, longer-term policy issues deeply ingrained in Washington’s foreign policy bureaucracy that cannot be ignored. The key challenge for the United States will be to effectively address these issues in a post-Covid environment where old relationships have been strained and resources are constrained by the economic costs of the pandemic. U.S. policy towards Southeast Asia should not be all about how to contain China, but how the United States can work with Southeast Asian nations, comprehensively and multilaterally when possible and bilaterally when necessary, to address these deeper issues.

Health: pandemics and other infectious diseases

The connections between global health and international relations are clear today as never before, as the Covid-19 pandemic has underscored the responsibility of nations to treat disease in a way that safeguards their neighbors as well as their own population. Over the past four decades, Southeast Asia has faced repeated outbreaks of infectious disease, from HIV/AIDS, SARS, and the H1N1 virus to malaria, dengue fever, Japanese encephalitis, and now Covid-19. Historically, the United States and Southeast Asia (particularly Thailand and more recently Vietnam) have cooperated closely to curtail potential pandemics, but the Covid-19 pandemic has been met with a disheartening lack of leadership and far less global cooperation. An immediate first step for the next U.S. administration will be to reengage with the World Health Organization and commit to joining COVAX, which aims to support the development and equitable distribution of more than 2 billion doses of Covid-19 vaccines before 2021. Joining COVAX must come with pledges of assistance that go beyond just signing the agreement. In the United States, the Centers for Disease Control and the National Institutes of Health should rededicate themselves to partnerships with their counterparts in Southeast

Asia, including the Southeast Asia Infectious Disease Clinical Research Network, to improve pandemic threat response and share evidence-based approaches to mitigate the spread of endemic infectious diseases that threaten public health throughout the region.

Governance and democratic backsliding

As ranked by Freedom House, all 10 Southeast Asian nations have political systems that are “less than free.” This creates practical problems for U.S. relations. Political polarization is growing in Southeast Asia, as it is in the United States. The next four years seem likely to bring democratic backsliding in several Southeast Asian countries and possible constitutional crises in Thailand, Myanmar, Cambodia, and perhaps the Philippines and Malaysia. How can the United States maintain its influence and friendly relations without abandoning its long-standing commitment to good governance and democratic reform? Democracy in Southeast Asia will not revive overnight. Washington will need to adopt a pragmatic approach to undemocratic states by finding ways to work with authoritarian leaders who have the power to alter the course of their country, identifying common interests while providing incentives for reform. This form of patient engagement will better serve U.S. strategic interests than focusing on the satisfaction of short-term policy preferences.

Human rights

Despite its economic progress and development, Southeast Asia is still plagued by human rights abuses—from the extrajudicial killings in the Philippines’ “war on drugs” and the silencing of political opposition and independent media in Cambodia, to the Myanmar military’s violent campaign against the country’s Rohingya minority, which has driven more than 700,000 Rohingya men, women, and children across the border into Bangladesh. Throughout Southeast Asia, the use of social media, particularly Facebook, to fuel hate speech against social, religious, and ethnic minorities is on the rise, even as repressive cyberlaws are creating an unprecedented, long-term threat to freedom of expression. This

comes at a time when political, social, and racial divisions in the United States are becoming increasingly pronounced and Americans have little trust in their own government. America will be better able to promote and defend human rights in Southeast Asia and around the world when we as a country better honor those values at home.

Promoting sustainable economic development

The 10 nations of ASEAN are economically diverse, ranging from Singapore, one of the world's most advanced developed nations, to Cambodia, Laos, and Myanmar, some of the poorest nations outside sub-Saharan Africa. Malaysia, Thailand, the Philippines, and Indonesia are advanced middle-income countries whose workforce has shifted from agriculture to manufacturing. While ASEAN nations have lifted millions of their citizens out of poverty, the region today is at a crossroads, as measures to support continued economic growth have led to unsustainable natural resource exploitation and environmental degradation. Green growth should not be a separate strategy from economic development. The United States has established the Sustainable Infrastructure Partnership, which provides technical and scientific assistance for environmentally sound infrastructure development, energy production, and land and water use in Southeast Asia; but more can and should be done to harmonize principle and practice for sustainable economic development—particularly in the countries of the Lower Mekong Subregion, but throughout the larger region as well.

Humanitarian assistance and disaster relief

Southeast Asia is the most natural-disaster-prone region in the world. It is home to just 8.5 percent of the world's population, but accounted for approximately 28 percent of the world's natural-disaster fatalities over the past 15 years. Heat waves, floods, droughts, typhoons, and tsunamis affect every aspect of life—health, safety, nutrition, and livelihoods. With 400 million people living in low-lying coastal areas, a two-meter rise in the ocean could displace tens of millions of people, with serious implications for Southeast Asia's water, food, and energy security

and massive disruptions of global food and energy supply chains. The United States should continue to cultivate humanitarian assistance and disaster relief (HADR) capabilities both bilaterally and regionally. Helping to further strengthen the ASEAN Coordinating Centre for Humanitarian Assistance, which works to strengthen disaster-risk governance by developing a unified, regional approach to HADR, represents a promising pathway forward.

Countering “jihadism” and Islamic extremism

Since 2016, ASEAN governments have been concerned by the mounting influence of the Islamic State (IS) as its networks have expanded and its fighters have returned from Iraq and Syria. The siege of Marawi in 2017 showed that IS values Southeast Asia and believes it is fertile terrain for expanding its presence. Suicide attacks in Southeast Asia have gradually increased from less than 6 percent of all such attacks before 2017 to 54 percent of all such attacks in 2019. Dismantling the network of IS cells and alliances in Southeast Asia will require preventing militant groups from controlling territory, and halting the movement of militants between countries, but local factors that are conducive to radicalization and recruitment must also be addressed. The United States should work to step up regional cooperation and provide financial and technical support to strengthen legal frameworks, investigate and prosecute terrorist cases, and address critical aviation and border security gaps.

U.S. soft power in Southeast Asia

U.S. soft power, the nation’s ability to use economic or cultural influence to shape the preferences of others, has been declining in Southeast Asia for years as China’s influence has grown. This presents new challenges to U.S. foreign policy, as soft power is an important diplomatic tool in an age of global interdependence. The U.S.-China trade war, the haphazard use of tariffs, and erratic U.S. behavior in several arenas have triggered alarm about the U.S. government’s reliability. But soft power is not just exercised by government. The United States continues to enjoy great influence in the areas of culture, the digital economy, and education. America

is home to the world's most admired tech companies, universities, and movie and music industries. Sixty-five percent of Southeast Asia's population is under the age of 35, and the U.S. government should work closely with the private sector to deploy its cultural assets where they can be most influential—in education, leadership and entrepreneurial development, cultural exchanges, and people-to-people ties.

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