

Chapter 12

East and Southeast Asia

Today, East Asia's vitality and connectedness are astounding. Economic, political, and social developments in the region have created new linkages and opportunities. Northeast and Southeast Asia are connecting with each other through trade, investment, and cooperation across a spectrum of goods and services.

Yet within this same dynamic East Asia, three trends and concerns play a key role in the security considerations of countries in the region: a rising China and how the United States manages that key relationship; a potentially fragile North Korea with nuclear weapons and how the region grapples with that country's nuclear program and potential succession crises; and the preservation of and relationship between traditional bilateral alliances and multilateral and regional approaches to security.

One obvious dilemma is that of managing U.S.-China strategic competition within a broader U.S. China strategy. While China is restrained in its international behavior, seeking to reassure neighbors of its peaceful intentions as it continues to expand its regional and global influence, it also has launched an ambitious military modernization program that complicates the U.S. ability to pursue a multifaceted relationship with it.

In this context, both U.S. allies in Northeast Asia—Japan and the Republic of Korea (ROK)—confront a complex strategic environment characterized by the uncertainty posed by North Korea's pursuit of nuclear weapons. They also are challenged by a fragile global economy, concerns about how the region will be transformed by China's resurgence, and the implications of that resurgence for their own security and relationship with the United States. This highlights the need for managing expectations and building mature partnerships as the strategic landscape evolves.

The current pattern of interaction among Association of Southeast Asian Nations (ASEAN) member states is very different from the environment of conflict and confrontation in which ASEAN was established in 1967. The present-day vitality and

connectedness of Southeast Asia do not imply that ASEAN states have overcome their internal and external challenges, however. In fact, all face a diverse set of problems, some of which are an outgrowth of the issues that brought ASEAN together in the first place.

Just how important is Asia? Carefully weighting Asia's potential provides an integrating thread, giving context to Asia's economic emergence and exploring the centrality of the United States in Asia's rise.

Managing Strategic Competition with China

One critical foreign policy challenge for the Obama administration will be dealing with a more powerful China that generally behaves in a restrained manner and seeks to reassure its neighbors of its good intentions, while simultaneously developing advanced military capabilities and expanding its regional and global influence. The United States should welcome restrained and responsible Chinese behavior, but must also recognize and prepare for the more complex policy challenges a strong China will pose. A more powerful China will have a major impact on Asia-Pacific security and create new challenges for U.S.-China relations.

U.S. Strategy toward China

China has defied the predictions of those who expected its communist system to fail in the aftermath of the 1989 Tiananmen crackdown and the collapse of the Soviet Union. Instead, a brief period of political retrenchment was followed by continuing economic reforms that have produced rapid and sustained economic growth, albeit with only limited political reforms.

In 1995 and 1996, Beijing's seizure of Mischief Reef in the South China Sea and its use of missiles to intimidate Taiwan stoked regional fears of a hostile and expansionist China. Worried that the United States and other countries might seek to contain it, China's leaders sought to allay regional concerns through a combination of military restraint, friendly diplomacy, active participation in multilateral and



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Beijing

regional organizations, and offers to allow others the chance to benefit from China's rapid growth. Simultaneously, Beijing launched an ambitious military modernization program (with double-digit real defense budget increases) and worked to expand its influence within Asia and beyond. China's restrained behavior over the last decade has limited the willingness of its neighbors to balance against its rising power, but has not eliminated concerns about how a stronger China might behave in the future.

Awareness of China's power potential and uncertainty about its long-term evolution have been key considerations in U.S. strategy. Instead of defining China as a partner or adversary, the United States has sought to reap the benefits of cooperation while hedging against China's potential emergence as a future threat. The first element of U.S. strategy emphasizes cooperation and integration into global institutions as a means to influence Chinese behavior and shape China's future evolution in positive directions. The second emphasizes maintenance of U.S. military capabilities and alliances as a hedge against a potentially aggressive future China. Ideally, U.S. alliances and military capabilities should discourage aggressive actions and encourage Beijing to pursue its goals through peaceful means. The challenge is to keep the elements in balance, so that overemphasis on cooperation does not leave the United States in an unfavorable strategic position, while overemphasis on the military hedge does not push China toward confrontation.

Within this strategic context, the Bush administration increased cooperation with China on a range of important economic and security issues including energy security, nonproliferation, and counterterrorism. It also tried to influence Chinese thinking about its own long-term interests by proposing a vision of China as a "responsible stakeholder" that both benefits from and plays an important role in maintenance of the current international system. This concept, elaborated in a 2005 speech by then-Deputy Secretary of State Robert Zoellick, recognizes China's increasing influence on the international system and seeks to obtain Chinese support to sustain the global institutions and norms that have helped enable its remarkable economic success. It aims to expand the scope of U.S. and Chinese common interests and to place potential conflicts of interests within a larger framework of cooperation.

The responsible stakeholder concept is fundamentally sound but has ambiguities that deserve attention. First, there is no clear definition of what constitutes "responsible behavior" in many areas of international relations. China is unlikely to accept a definition of responsibility based on what is most helpful for American interests or most congruent with American policy. The United States will have difficulty holding China accountable to international rules and norms that Washington itself does not always respect. Second, Zoellick's speech acknowledges the reality of increasing Chinese influence in

Asia but avoids specifying which Chinese interests are legitimate and must be respected by the United States; it also does not clarify the extent to which the United States is willing to consider changes in existing rules and institutions to accommodate Chinese concerns and interests. Finally, the concept assumes China will have influence within an international system where the United States plays the leading role. If U.S. power wanes, this assumption may eventually come into question.

The China Challenge

A strategy of engaging and hedging that seeks to integrate China into the international system as a responsible stakeholder makes sense in light of uncertainty about China's future. But U.S. policymakers have not fully grappled with the challenges posed by a China that behaves in a restrained and generally responsible manner while simultaneously developing strategic capabilities that may threaten U.S. interests. Chinese military planners—like those in other advanced militaries—are interested in developing new technologies and capabilities that can increase military effectiveness. This does not make China uniquely aggressive, but it does raise questions about how a stronger China might use these capabilities in the future.

China is modernizing its forces and developing new capabilities to deal with a range of internal and

external contingencies. Concerns about the possibility of Taiwan independence have been the key driver of Chinese military modernization since the mid-1990s, but China is now laying the foundations for military capabilities that can perform other missions, such as protecting its territorial claims and sea lines of communication. China is reshaping its military to take advantage of opportunities provided by advanced command, control, communications, computers, intelligence, surveillance, and reconnaissance and precision strike. Areas of particular concern include China's modernization of its nuclear arsenal and efforts to develop advanced space and counterspace, cyber warfare, and conventional force capabilities that may limit U.S. military access to the western Pacific. These capabilities represent a nascent antiaccess capability designed to limit U.S. strategic mobility in the western Pacific, limiting the U.S. military's ability to fulfill its security commitments.

Beijing's near- to midterm objective is not to match U.S. military capabilities across the board, but rather to create sufficient U.S. vulnerability to ensure that Washington behaves cautiously when core Chinese interests, such as preventing Taiwan from attaining *de jure* independence, are at stake. China's investments in advanced strategic capabilities eventually are likely to challenge current U.S. dominance in some key areas. The United States should and will



Vietnam's first oil refinery, opened February 2009, will meet one-third of nation's petroleum needs

make investments to improve its own capabilities. China nevertheless will reap some operational advantages from its own investments and develop some ways to limit American ability to apply its military capabilities in a conflict. Continued U.S. dominance in key strategic areas is preferable but may be technologically impossible (due to the offense-dominant nature of some strategic domains) or unaffordable (due to high costs and competing demands).

One potential U.S. response might involve efforts to dissuade China from acquiring advanced military capabilities. Dissuasion was a prominent theme in Bush administration strategic documents such as the 2001 and 2006 Quadrennial Defense Reviews and the 2005 National Defense Strategy. U.S. strategic documents do not single out China as an object of dissuasion, but several academic analysts have examined dissuasion's potential applicability to the China case. Successful dissuasion requires persuading the other state that it will not derive the hoped-for benefits from investments in strategic capabilities or that the direct and indirect costs of pursuing advanced capabilities will outweigh the potential benefits. Three main avenues have been explored in the academic literature: pursuing competitive strategies that invite China to engage in costly arms competitions that it cannot win; raising the political and economic costs of Chinese efforts to develop and deploy advanced strategic capabilities; and linking U.S. economic and strategic cooperation with China to restraint in its strategic development programs.

All three approaches are problematic when applied to China. Although it may be possible to raise the costs of Chinese behavior that violates established international rules and norms, the utility of advanced military technologies means that dissuasion is unlikely to prevent China from developing additional advanced nuclear, space, conventional, and cyber capabilities.

Managing U.S.-China Strategic Competition

An all-out arms race is not inevitable, but the United States will have to think more seriously about how to deal with China if it no longer enjoys unquestioned dominance in key areas. Washington will need to be willing either to accept greater costs and risks in the pursuit of its interests or to scale back its objectives. The U.S. military has operated successfully in high-risk situations in the past, but the expectation that the U.S. military will be dominant and able to carry out major operations with few casualties will need to be revised. Some degree of vulnerability

is inevitable, but the United States should seek to maintain a balance that makes the use of force more costly for China than for the United States and thus maintains some U.S. freedom of action.

Given ongoing military operations and competing demands, many in the nuclear, ballistic missile defense, space, and cyber communities are likely to be frustrated at resource, technology, and policy limitations that restrict the development of advanced U.S. capabilities. These strategic communities will focus intently on Chinese efforts in their areas, and seek to draw leadership attention and resources to their missions. Their Chinese counterparts will do the same. If U.S. efforts do not sustain dominance, some members of these communities are likely to appeal to the broader political system to attract more attention to their concerns. The structure of U.S.-China strategic competition suggests that nuclear, missile defense, space, and cyber issues will be at least irritants—and potentially major destabilizing factors—in bilateral relations for some time to come.

The ultimate effect will depend on whether these strategic issues can be compartmentalized or whether they come to dominate the broader relationship. Those Americans with responsibilities for specific strategic domains are likely to urge that their concerns be linked with wider bilateral issues as a way to increase U.S. leverage. Such a move, however, may undercut broader U.S. efforts to integrate China fully into the international system as a responsible stakeholder. Because different elements of the government have different responsibilities and perspectives, the effort to strike the right balance between cooperation with China and strategic competition in particular domains is likely to be an enduring tension in U.S. China policy.

The Road Ahead

The U.S.-China relationship will remain ambiguous, with substantial areas of cooperation coexisting with strategic tensions and mutual suspicions. The United States and China are not inevitable enemies, but managing the competitive aspects of the relationship will require wise leadership on both sides of the Pacific. Even though the United States is likely to maintain its technological edge, China will develop some advanced strategic capabilities that will allow it to inflict significant damage on U.S. forces in the event of a military conflict. If the countries manage their relations carefully, the negative effects of strategic competition on the broader relationship may remain modest. If strategic conflicts of interest

become prominent—most likely over Taiwan—then competition may intensify and poison other aspects of the relationship. Conversely, if the Taiwan issue appears on a path toward peaceful resolution, strategic competition will likely be more muted. In any case, Sino-American strategic competition has begun to move beyond Taiwan to include concerns about respective future military capabilities and relative influence. Even as the two militaries explore potential areas of security cooperation, each appears increasingly concerned about the other.

The United States will need to improve its ability to pursue a multifaceted relationship with China within the context of its overall strategy. This should involve cooperation where American and Chinese interests are compatible, combined with active efforts to engage China to influence how it defines and pursues its interests. Given U.S. security commitments and the importance of U.S. alliances for Asia-Pacific security, the maintenance of robust military capabilities will remain an important part of U.S. strategy. Because of the difficulty of dissuading China from acquiring additional advanced strategic capabilities, the United States must be prepared to compete vigorously with it in important strategic domains while simultaneously seeking to limit the impact of this competition on the broader bilateral relationship.

How can U.S.-China strategic competition be managed effectively? One way is to try to place

some limits on any competition that might make both sides worse off. For example, unrestrained nuclear competition or all-out efforts to weaponize space would require huge investments that might ultimately produce no strategic advantages once the other side's response is factored in. Mutual restraint, strategic understandings, and informal limits on the development or deployment of particular capabilities may be valuable to reduce or manage competition. The United States is using its strategic dialogue and military-to-military contacts with China to try to address its strategic concerns and to correct misperceptions about U.S. strategic intentions. Official and unofficial dialogues on nuclear issues and ballistic missile defense over the last decade have played a useful role in making each side aware of the other's concerns and have had modest success in reducing mutual suspicions. These efforts are continuing, and can be enhanced (including a dialogue on space issues), albeit with modest expectations about their ultimate impact.

A second approach is to keep the competitive dimensions of U.S.-China relations within the context of a broader, generally cooperative relationship that is of huge importance to both countries. By placing narrow areas of strategic competition in proper proportion, leaders can make informed decisions about how important these areas are, what investments are appropriate, and what damage to the broader relationship is justified in terms of strategic benefits. Clearly, the specifics of the U.S.-China balance in particular strategic domains would become very important in a military crisis. Both sides should be careful not to let concerns about worst-case scenarios and unlikely contingencies steer the broader relationship. Handled properly, these concerns can remain remote contingencies rather than the primary drivers of policy.

A third way is to recognize that integrating China into the international system as a responsible stakeholder requires showing Beijing a path by which it can pursue its legitimate aspirations through peaceful means. As John Ikenberry has written, the current liberal international order is remarkably flexible and has done a good job so far of accommodating China's rising power. The United States will have to recognize that if China is to make greater contributions to maintaining the international system, it will expect a greater voice within that system. The original formulation of the "responsible stakeholder" concept was silent on the question of which Chinese interests were legitimate and deserving of respect. The United



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Chinese President Hu Jintao (left) with Japanese Prime Minister Yasuo Fukuda during Hu's visit to Tokyo, May 2008

States will not be able to ignore this question forever; answering it will likely require some adjustments in both the international system and U.S. foreign policy goals. Just as markets provide ways to reconcile competing economic interests, however, an open international system can provide ways to reconcile competing strategic interests without war.

A final point is that the division of labor implicit in a strategy of engaging and hedging—with the State Department and economic policymakers concentrating on engagement and military policymakers concentrating on the hedge—can potentially result in a lack of focus and increase the difficulty of making appropriate tradeoffs between U.S. economic and security interests. The issues involved are complex, and reasonable people can disagree about the answers. An enduring consensus is likely to be elusive. Strong political leadership and effective use of the National Security Council as a coordination mechanism will be essential to the successful implementation of an effective strategy for dealing with a stronger China.

The U.S.-Japan Alliance: Managing Expectations

In Northeast Asia, Japan is faced with both immediate and long-term security challenges. A nuclear North Korea, armed with ballistic missiles capable of reaching Japan, represents Tokyo's immediate challenge. China represents the long-term strategic challenge. Despite guarded optimism about recent trends in the Japan-China relationship and their accelerating economic engagement, Japan is at the same time cognizant of China's growing military power. Beijing's 20-year run of double-digit increases in defense spending and its lack of transparency are matters for growing concern in Japan. In Southeast Asia, China's diplomatic standing as well as its political and commercial influence are perceived as rising across the region, adding to Japan's strategic uneasiness.

Domestic Situation

The 2008 Economic Survey of Japan by the Organization for Economic Co-operation and Development (OECD) projected the economic expansion that began in 2002 to continue through 2009, with growth rates in the range of 1.5 to 2 percent. By mid-2008, however, rising energy and commodity prices, declining consumer spending, and a fall-off in industrial production and housing construction combined to temper growth forecasts. To revive the economy, the government of Prime Minister Taro

Aso proposed a stimulus package of tax cuts and increases in government spending, likely to increase government debt which in 2007 amounted to 180 percent of gross domestic product (GDP). At the same time, a rapidly aging population will increase claims on the government's financial resources for health and social welfare spending.

Building on its historic victory in the 2007 Upper House elections, the opposition Democratic Party of Japan (DPJ) is actively seeking to displace the Liberal Democratic Party (LDP)-New Komeito Party ruling coalition. An intensification of politics, including foreign policy and national security issues, will mark Diet deliberations as each side maneuvers for electoral advantage. This political logjam, coupled with the stultifying internal effects of bureaucratic scandals, has brought policy decisionmaking in Japan to a standstill.

From 2001 to 2006, under successive LDP-Komeito governments headed by Prime Minister Junichiro Koizumi, Japan moved to support Operation *Enduring Freedom* and Operation *Iraqi Freedom* by deploying the Maritime Self-Defense Force (MSDF) to assist refueling operations in the Indian Ocean, the Air Self-Defense Force to Kuwait to provide airlift supply, and the Ground Self-Defense Force to Iraq to assist in postwar reconstruction. Although he deployed the Self-Defense Forces under United Nations (UN) Resolution 1368, Koizumi anchored his decision to authorize the deployments as a function of the U.S.-Japan alliance, in support of Japan's sole alliance partner. In a March 23, 2003, convocation address to the National Defense Academy, Koizumi defined the alliance as "absolutely invaluable" to Japan. The prime minister explained that Japan could not count on U.S. support on North Korea if Japan did not support the United States in Afghanistan and Iraq.

Koizumi's term as prime minister provided unusual political continuity to Japanese policy. His successor, Shinzo Abe, however, failed to last 1 year, resigning after the LDP lost control of the Upper House of the Diet to the DPJ in the July 2007 election. Abe's successor as prime minister, Yasuo Fukuda, who also resigned unexpectedly in September 2008, had to deal with the consequences of the election defeat, an opposition aimed at forcing dissolution of the Diet and a Lower House election, and the resulting legislative and policy gridlock. Fukuda's LDP successor, Taro Aso, faced Diet elections shortly after his own elevation to the LDP leadership position. In the short term, Japan's governments are not likely to experience the continuity of the Koizumi years.

In the present political context, alliance-related issues—such as implementing the Defense Policy Review Initiative (DPRI), relocating the U.S. Marine Corps' Futenma Air Station to northern Okinawa and troop relocation to Guam, and maintaining present levels of host nation support (HNS)—have become matters of active policy and political debate. Should the DPJ form the core of a successor government, the new government will seek adjustments in the HNS budget as well as amendments to the Status of Forces Agreement. Moreover, former DPJ president Ichiro Ozawa has long held that Japan can only deploy the Self-Defense Forces overseas under UN auspices, a position he underscored in his opposition to the 2007 reauthorization of Japan's Anti-Terrorist Special Measures Law, which authorized the MSDF refueling operations in support of Operation *Enduring Freedom*.

Looking Outward

Japan's difficult fiscal environment will continue to affect defense and foreign policy budgets. For political reasons, defense budgets have been maintained at 1 percent of gross national product; the 2008 defense budget, however, lowered spending to 0.89 percent. Fiscal constraints are similarly apparent in Japan's declining Overseas Development Assistance (ODA) budget. For 2007, the Development Assistance Committee of the OECD reported that Japan's ODA disbursements totaled \$7.7 billion, a reduction of 30 percent from the previous year. As a result of the 2007 reduction, Japan—formerly the leader in ODA—has dropped from third to fifth place among ODA donors. Concerned with Japan's drop in international standing, the Fukuda government made an effort to increase ODA spending in Africa and Southeast Asia. This effort toward greater diplomatic and ODA activism was driven in part by concerns with China's growing presence and influence in both regions.

At the time of the 1991 Persian Gulf War, Japan's security responsibilities under the U.S.-Japan alliance, in addition to the defense of the home islands, extended 1,000 nautical miles out from Japan for sea lane defense. Despite strong financial and diplomatic backing for the coalition forces, Japan was criticized in the United States for its risk-averse "checkbook diplomacy." Moved in part by such criticism, as well as a growing recognition that Japan should be more actively engaged in efforts to support international stability and security, the Diet in 1993 adopted legislation to allow Japan to participate in UN peacekeeping operations.

Meanwhile, a series of events during the 1990s—the 1993–1994 North Korean nuclear crisis, the 1996 Taiwan Strait crisis, and North Korea's launch of a Taepo Dong missile over Japan in 1998—underscored the tenuous nature of the security environment in which Japan existed. These developments prompted efforts by Tokyo to strengthen its alliance with the United States, culminating in the Tokyo Declaration of April 1996 and Japan's subsequent commitment to provide rear-area support to U.S. forces for contingencies in the areas surrounding Japan.

In the Diet debate over legislation to implement Japan's rear-area support commitment, members tried to get some clarification from the Foreign Ministry concerning the geographic reach of "areas surrounding Japan." The Foreign Ministry, in an effort to maintain flexibility with regard to the applicability of the concept, retreated to diplomatic ambiguity and defined it as functional rather than geographic. Following the attacks on the World Trade Center, the MSDF deployed to the Indian Ocean in support of *Enduring Freedom*.

Reauthorization of the MSDF mission, however, eventually fell victim to politics. Once in control of the Upper House, the DPJ, in a possible preview of its national security policies should it gain control of the government, refused to reauthorize the mission because it lacked a specific UN mandate. In January 2008, Japan passed the New Anti-Terrorism Special Measures Law, which reauthorized the MSDF mission through January 15, 2009. The law was again extended through January 2010. The Iraq Special Measures Law, which authorized the Air Self-Defense Force to transport personnel and goods for the UN and Multinational Force between Kuwait and Iraq, terminated December 12, 2008. Japanese ground and air units were withdrawn shortly thereafter.

Looking back to 1991, the record of the past 17 years points to growing Japanese involvement in support of international stability and security. It is in the national interest of the United States that Japan continues to focus outward.

The Road Ahead

The major challenge facing the new administration is to continue to strengthen the U.S.-Japan alliance and to sustain and encourage Japan's slowly evolving engagement in support of international stability and security.

At the strategic level, there is a firm consensus on the central importance of the U.S.-Japan alliance. There is, however, a gap between strategic consensus

and performance on “nuts and bolts” issues. The relocation of the Futenma Air Station and the 8,000 Okinawa-based Marines to Guam are issues the new administration will inherit. Implementation will require careful and continuing attention.

The realignment issues are operational in nature but are strategic in consequence, and will be central to the health of the alliance over the next decade. For the United States, the alliance is the cornerstone of its strategy toward the Asia-Pacific region and a central element of U.S. global strategy.

The new administration has inherited an active program in missile defense cooperation, the enhancement of which—including encouraging the Japanese government to adopt comprehensive legislation to protect classified information—will lead to greater integration of defense capabilities and strengthen Japan’s defenses against the ballistic missile threat posed by North Korea. Missile defense cooperation will serve to reassure Japan of Washington’s commitment to its security over the next decade and beyond, as would a U.S.-Japan dialogue on extended deterrence, should the nuclear challenge posed by North Korea remain unresolved.

The new administration has an opportunity to put its own historic stamp on the alliance and the U.S.-Japan relationship. The year 2010 will mark the 50th anniversary of the U.S.-Japan Treaty for Mutual Cooperation and Security. A new joint vision statement along the lines of the 1996 Tokyo Declaration, which carried the alliance into the post-Cold War world, and the 2005 Joint Statement of Common Strategic Objectives, which globalized alliance cooperation, could reaffirm mutual commitments to the alliance and shape its direction toward midcentury. Without progress on DPRI implementation, however, a new vision statement would lack a firm operational foundation.

Japan will also host the 2010 meeting of the Asia-Pacific Economic Cooperation (APEC) forum. This will provide another opportunity for the United States and Japan to cooperate to promote the vision of an Asia-Pacific free trade area (FTA). A trans-Pacific FTA comports with historic U.S. interests of being “included” in East Asia.

As for broader cooperation among U.S. allies in Northeast Asia, both Japan and the Republic of Korea have expressed interest in reestablishing trilateral coordination with the United States on issues that go beyond North Korea to shared regional and global concerns. Since the initiation of the Six-Party Talks, thought has been given to seeing the structure evolve into a successor Northeast Asia Peace and Se-

The U.S.-Japan Alliance: Key Documents

A series of documents issued by the U.S.-Japan Security Consultative Committee constitute a framework and work program for the alliance. These include the February 2005 Joint Statement; the October 29, 2005, “Joint Statement on the U.S.-Japan Alliance, Transformation and Realignment for the Future”; the May 1, 2006, joint statement, “United States–Japan Roadmap for Realignment Implementation”; and the May 1, 2007, statement on “Alliance Transformation: Advancing United States–Japan Security and Defense Cooperation.”

The February 2005 Joint Statement marked the convergence of a common strategic vision and a shared understanding that the alliance enhances the security of the two partners, the Asia-Pacific region, and the cause of “global peace and stability.” The document set out a number of common strategic objectives toward the region and beyond and judged the consolidation of the U.S.-Japan partnership to be in the interest of “peace, stability, prosperity worldwide.”

The October 2005 Joint Statement identified specific areas for improved security and defense cooperation, and provided for a realignment of the U.S. force posture in Japan as well as a joint study on roles, missions, and capabilities. Realignment centered on the relocation of U.S. Marine forces from Okinawa to Guam and the return of the Marine Corps Air Station at Futenma to the Okinawa prefectural government.

Subsequent joint statements reaffirmed the common strategic objectives, provided a detailed roadmap for realignment, and strengthened missile defense and operational cooperation.

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Japanese and U.S. lawmakers hold first meeting under newly created official Japan-U.S. parliamentary exchange organization, Washington, DC, June 2008

curity Mechanism. Absent the complete denuclearization of North Korea, however, such a mechanism remains a distant possibility.

Nevertheless, the new administration will find that multilateral cooperation has built outward from our alliance-rooted strength in the region. The concept has not been exclusionary, but one that stems from our shared values and complementary interests, and allows the alliance partners collectively to engage others with greater confidence.

The U.S.–ROK Alliance: Building a Mature Partnership

The Republic of Korea confronts a complex strategic environment. To its north, across the Demilitarized Zone (DMZ), the Democratic People's Republic of Korea (DPRK) remains a closed, unpredictable society. The DPRK's conventional military, although degraded, remains formidable in terms of numbers, but it is North Korea's attempted development of nuclear weapons and ballistic missile delivery systems that defines the major security challenge. At the same time, North Korea's totalitarian political system, its aging and ill political leadership, and its fragile and failing economy combine to raise the specter of unrest, instability, and regime collapse. Well aware that the financial cost of reunification to the government of South Korea is generally expected

to dwarf the sum involved in German unification at the end of the Cold War, ROK governments have cautiously addressed the issue.

Beyond the peninsula, South Korea's booming economic relations with its immediate neighbors, China and Japan, are balanced by longstanding territorial disputes, intense political nationalism, and the unhappy legacy of conflict and colonialism.

China is South Korea's top trading partner, with two-way trade amounting to \$145 billion in 2007, nearly one-quarter of the ROK's total trade. This gives Beijing considerable leverage in Seoul. China's diplomatic leadership in the Six-Party Talks, aimed at resolving North Korea's nuclear challenge, also is well appreciated in Seoul. Yet China's growing economic influence in North Korea and its claim to the ancient territory of Koguryo, which includes large areas of ancient Korean kingdoms, have raised concerns that China's long-term interests and objectives toward the peninsula may not correspond to those of South Korea. Keeping the past alive, South Korea's history textbooks record China's numerous military advances into the peninsula and the subservience of Korea's tributary status.

Japan is South Korea's third leading trading partner, with two-way trade in 2007 totaling \$63.6 billion. Yet memories of the Japanese empire's annexation and harsh occupation of Korea from 1905



Chinese bank clerk counts foreign exchange banknotes at branch of Agricultural Bank of China, Liaocheng

to 1945 remain intense and volatile in South Korea's body politic, and complicate management of the bilateral relationship between Seoul and Tokyo. Visits to the controversial Yasukuni Shrine by Japan's political leaders to honor their country's war dead, which include 14 Japanese Class A war criminals, and the sovereignty dispute over the Liancourt Rocks have the potential to reignite still-smoldering resentments.

The Advent of the Lee Administration

On December 19, 2007, Lee Myung-bak of the right-center Grand National Party (GNP) was elected president of the Republic of Korea. Lee's victory marked the end of a decade of left-center governments under Presidents Kim Dae Jung and Roh Moo-hyun. Lee, a former president of Hyundai Construction Company and mayor of Seoul, campaigned on a platform of economic revitalization, a policy toward North Korea that demands reciprocity, and a commitment to strengthen the ROK-U.S. alliance.

In contrast to the income redistribution policies of the previous government, Lee's economic policies highlight deregulation, investment incentives, tax cuts, and pro-growth and *chaebol*-friendly initiatives (*chaebol* are large family-controlled firms with strong government ties), all aimed at making South Korea the world's seventh largest economy, raising per capita GDP to \$40,000 and achieving a 7 percent economic growth rate. Early in 2008, however, in light of rising oil prices and a slowdown in the U.S. economy, Lee's economic team lowered projected growth figures to 6 percent, while the Bank of Korea forecast a 4.7 percent growth rate. Both the Samsung Economic Research Institute and the state-run Korea Development Institute estimated growth at 5 percent for 2008 despite unfavorable external economic conditions. By mid-year, slowing growth, combined with the rising prices of oil and agricultural commodities, combined to raise concerns of stagflation.

With regard to North Korea, the Lee government announced plans to assist the DPRK's economic development, proposing to raise per capita income to \$3,000 over 10 years, helping to create over 100 export companies, and creating over 300,000 industrial jobs—conditioned on North Korea's cooperation in denuclearization. The new government also made clear that it would review the large-scale economic infrastructure projects announced at the October 4, 2007, South-North Summit between former President Roh and North Korea's Kim Jong Il to ensure that the projects served the economic interests of South Korea. The Lee government also

announced that it would not refrain from criticizing North Korea's human rights violations. Seoul's new willingness to criticize North Korea and its emphasis on reciprocity in its dealing with Pyongyang marked a departure from the policies of leftist governments since the June 2000 summit in Pyongyang.

U.S.-ROK Alliance Relations

Improving relations with the United States is at the center of Lee's foreign policy. As a presidential candidate, Lee made clear his intent to strengthen the ROK-U.S. alliance; as president, he proposed the development of a "Strategic Alliance for the 21st Century" that would expand alliance cooperation from the peninsula to East Asia and beyond. Lee also stressed the importance of the U.S. ratification of the Korea-United States (KORUS) Free Trade Agreement signed by his predecessor in 2007. Legislation to implement the FTA is pending in the U.S. Congress and the ROK national assembly.

For over 50 years, South Korea has been allied with the United States. Since its inception, the alliance has served to deter the outbreak of a second Korean War, while allowing South Korea to devote its resources to the development of a world-class economy and a vibrant democracy. Over the years, however, South Korea's prosperity, growing national confidence, and emergence as a stable democracy have combined to build political pressures to restructure and transform the alliance.

Officials of the Lee government characterize alliance management under Presidents Kim and Roh as "ten lost years." While it is true that ROK-U.S. relations experienced political turbulence in South Korea from 2000 to 2008, it is also true that significant steps were taken to transform the alliance into a more equal military and political structure.

Strategic dissonance in policies toward North Korea marked relations between Seoul and Washington in the years following the June 2000 South-North Summit, which served to foster more benign views of North Korea in the ROK. Subsequently, large numbers of South Korean citizens came to see North Korea as a poor, weak, and highly insecure neighbor, whose intractable, belligerent behavior was often attributed to U.S. policies, which were perceived as isolating or pressuring the regime in Pyongyang. Indicative of this trend, the ROK's Ministry of Defense 2005 White Paper ceased to identify North Korea as an enemy, and, in a 2004 South Korean public opinion poll, the United States was viewed as a greater threat to peace than was North Korea.

Roh came into office in 2003 with a highly nationalistic agenda, determined to redress long-perceived inequities in the ROK–U.S. relationship. With regard to the alliance, Roh made the transfer of wartime operational control of ROK forces back to South Korean command the touchstone of his efforts to transform the alliance into a more equal structure.

At the same time, the Bush administration, in response to the 9/11 terrorist attacks, initiated a global transformation of U.S. forces aimed at making them lighter and more readily deployable. On the Korean Peninsula, this imposed a new security requirement on U.S. forces—in addition to being prepared to defend South Korea, they were also to be prepared to deploy off the peninsula to deal with the threat posed by international terrorism.

This combination of U.S. and ROK imperatives to meet the security challenges of the post-9/11 world and the demands for greater equality within the alliance resulted in consecutive bilateral negotiations: the Future of the Alliance Talks (FOTA) and the Strategic Policy Initiative (SPI). The talks resulted in the redeployment of U.S. forces from bases at the DMZ to the Osan-Pyongtaek area and the Taegu-Pusan area; the return of approximately 60 camps and installations to the ROK; the relocation of the Yongsan Garrison in downtown Seoul to Pyongtaek; and the transfer of wartime operational control to the ROK by April 17, 2012. South Korea's "Defense Reform 2020" provides for the acquisition of essential upgrades in command and control, communications, computers, and intelligence capabilities to support transfer of operational control. At the same time, the United States agreed to provide necessary bridging capabilities through 2020. While some in South Korea continue to express uneasiness with the readiness of the ROK military to assume wartime operational control, the initiative continues on track.

The Road Ahead

The ability of the United States and the Republic of Korea to advance their bilateral relationship and strengthen the alliance will depend on the interplay of a number of factors: the capacity of the Lee government to overcome its initial stumbles and govern effectively in the face of vocal and determined opposition; the implementation of FOTA and SPI agreements; the success of the ROK's Defense Reform 2020; the maintenance of coordination on policies toward North Korea; and the fate of KORUS.

Less than 2 months after its inauguration, the Lee administration met with an unexpected reversal when

his Grand National Party escaped with a narrow majority victory in the National Assembly elections. The narrowness of the victory, 153 out of 299 seats, was in part due to the defection of 26 GNP members to an alliance led by Park Geun-Hye, Lee's unsuccessful rival for the GNP presidential nomination.

In advance of his summit visit to Washington, Lee announced his decision to implement the commitment, made by the Roh government, to re-open the Korean market for U.S. beef (U.S. beef imports had been banned since 2003, following the outbreak of mad cow disease in the United States). Many South Koreans saw the announcement as an arbitrary exercise of power, one that put Lee's relationship with Washington ahead of the health of the Korean people. Massive demonstrations, first by students and civil society organizations, later supported by opposition parties, resulted in plummeting public approval ratings for the president, the reorganization of the president's staff, strikes by the Korean Confederation of Trade Unions, opposition parties' refusal to allow the opening of the National Assembly, and finally, a presidential apology.

Lee's emphasis on reciprocity in South-North relations—demanding denuclearization as a condition for economic assistance—meant that for many months in 2008 South Korea had refused to send food and fertilizer to North Korea. With public pressures building for a response to reports of an intensifying famine in North Korea, however, Lee reversed his position. In his address to the opening of the National Assembly, he called for renewed dialogue with North Korea "to alleviate the pain of the North Korean people." In reply, an editorial in North Korea's *Rodong Sinmun* newspaper blasted the president for his responsibility for the aggravated state of North-South relations.

Challenges and Opportunities

In the midst of transforming the bilateral U.S.–ROK alliance, President Lee is facing determined opposition on defense budget issues, including appropriations for Defense Reform 2020, for the Special Measures Agreement (Host Nation Support), and for implementation of the FOTA and SPI agreements on the redeployment of U.S. forces on the peninsula. Also, the opposition is determined to raise issues related to the environmental cleanup of U.S. bases returned to the ROK.

The Lee government has repeatedly emphasized the strategic importance of the alliance with the United States, and Lee has made clear his interest in

turning the Cold War–origin alliance into a “Strategic Alliance for the 21st Century,” expanding its scope from the peninsula to East Asia and beyond. Korean officials frequently point to the Tokyo Declaration of April 1996, which defined a post–Cold War role for the U.S.–Japan alliance, as a model. Cooperating with the ROK in defining such an alliance would allow the administration the opportunity to put its mark on a new initiative in Asian security.

Efforts to develop a new vision of the alliance, however, have diverted attention from implementation of the FOTA/SPI agreements. Despite a shared understanding on the importance of the alliance, a gap exists between strategic consensus and actual performance on nuts-and-bolts issues. Funding and implementation of FOTA/SPI—operational issues with strategic consequences—will require the careful and continuing attention of the new administration in Washington.

The Obama administration has inherited the KORUS Free Trade Agreement. Senior ROK officials have privately communicated that a U.S. failure to ratify the agreement would be “a major blow” to the Lee government. Furthermore, such an outcome would negatively affect the U.S.–ROK relationship and mark a significant retreat from the commitment of past administrations, Democratic and Republican alike, to free trade.

North Korea: Choices for the New Administration

The challenge of halting North Korea’s pursuit of a nuclear weapons program has now bedeviled American Presidents for over two decades. The George H.W. Bush administration attempted to bring North Korea under International Atomic Energy Agency (IAEA) inspections after becoming concerned about North Korea’s Yongbyon gas-graphite power reactor in the late 1980s. When discrepancies arose between North Korea’s declaration and evidence gathered by IAEA inspectors during 1992, the ensuing dispute sparked the first North Korean nuclear crisis and led to bilateral negotiations under the Clinton administration that resulted in the Geneva Agreed Framework. By the terms of this deal, North Korea froze construction and promised to eventually dismantle its plutonium-based nuclear program upon delivery of two light-water reactors for electricity production by a U.S.-led multinational consortium.

Lack of political will among the parties to the agreement, the withholding of funding by the newly elected U.S. Republican Congress, and delays in the

timetable for provision of the two light-water reactors as promised in the Agreed Framework caused relations between North Korea and the United States to deteriorate over the next several years, and sowed the seeds for the next North Korean nuclear crisis.

Background

In 2002, the U.S. Intelligence Community concluded that the DPRK had pursued a covert uranium enrichment path to achieving nuclear weapons capability in contravention of the Clinton-era agreement, spawning a second crisis over North Korea’s nuclear ambitions. U.S. allegations to this effect during an October 2002 visit to Pyongyang by President Bush’s special envoy, Assistant Secretary James Kelly, sparked an angry response from the North Koreans and the unraveling of the Agreed Framework. In retaliation for a U.S. decision to halt deliveries of heavy fuel oil that had been promised under the framework agreement, North Korea expelled IAEA nuclear inspectors and reinstalled fuel rods that had been put in storage near Yongbyon since the mid-1990s. Following on-again, off-again six-party negotiations established in 2003 that included China, Russia, Japan, South Korea, North Korea, and the United States, North Korea’s apparent October 2006 test of a nuclear device dramatically illustrated the policy failures of successive administrations. The test catalyzed a uniformly negative international response, including rapid passage of UN Security Council Resolution 1718, which placed severe economic sanctions on the DPRK. The implementation of those sanctions was suspended, however, when the Bush administration pursued bilateral U.S.–DPRK negotiations in the context of the six-party negotiations.

The outcome of those negotiations was a February 13, 2007, implementing agreement and a more specific October 3 agreement in which the DPRK was to shut down, disable, and dismantle its Yongbyon nuclear facilities. These agreements would allow IAEA monitors to return to the complex, and offer a “complete and correct declaration” of its nuclear facilities, programs, and materials. In return, the United States would remove North Korea from the list of state sponsors of terrorism from the Trading with the Enemy Act; Japan–DPRK relations would improve; and North Korea would receive one million tons of heavy fuel oil or its equivalent from the other parties (with the exception of Japan). The agreement was built on a Six-Party Joint Statement of Principles for addressing the North Korean nuclear issue that had been completed on September 19, 2005, a year

prior to North Korea's nuclear test. The "grand bargain" that had been envisaged in the joint statement traded North Korea's denuclearization for multilateral economic support and the political benefits of diplomatic normalization with the United States, under agreed-upon principles of "action for action."

The February 13, 2007, agreement covered only the first steps that would have to be taken toward North Korea's full denuclearization. They were to be completed within 90 days, but it took until summer to complete only the first phase of the agreement. North Korea also missed a December 31, 2007, deadline for submitting a "complete and correct" declaration of its nuclear program, materials, and facilities; it was finally submitted in June 2008. With this, President Bush notified Congress that he would remove North Korea from the list of state sponsors of terrorism within 45 days. However, North Korea refused to agree to the verification measures requested by the United States, ROK, and Japan, and took initial steps to refurbish nuclear facilities at Yongbyon. Following what is believed to be a verification protocol, the Bush administration announced that it had delisted North Korea on October 10, 2008.

On April 5, 2009, North Korea, in the face of international opposition, conducted a missile test over

Japan into the Pacific Ocean. On May 25, Pyongyang tested its second nuclear device. In response the United Nations Security Council, on June 13, adopted UNSC 1874, sanctioning North Korea for its action.

The Obama administration faces multiple challenges with respect to North Korea: reinitiating nuclear talks, verifying any accords, and managing a possible regime transition. This task may have been made more difficult by the fact that there remain ambiguities in the agreement regarding some components of the verification regime. These issues are complicated by the fact that Kim Jong Il experienced a "medical event"—a possible stroke—that may have temporarily incapacitated him in mid-August 2008. Although the continuity of his leadership within North Korea apparently has not been challenged, this event has highlighted the possibility of internal political instability in the North, with uncertain implications for both regional stability and nonproliferation.

The first issue is Kim Jong Il's health. Although reported to have recovered from the August 2008 medical event, the uncertainty regarding his physical condition appears to have accelerated the process of structuring a succession. Judging from recent pronouncements from Pyongyang, Kim appears to have settled on his youngest son, Kim Jong Un, as his successor. The medical event and Kim Jong Il's subsequent recovery also may constitute a de facto test of loyalty among those closest to him. How North Korean powerholders have responded to Kim's ill health could affect their subsequent standing in North Korea's leadership hierarchy. Kim's vulnerability also may influence North Korean bureaucratic organs in their willingness to carry out orders. A top priority for the United States is to assess the impact of the political situation inside North Korea for Pyongyang's external priorities, especially as they relate to the task of denuclearization.

Kim Jong Il's health situation also has exposed the need for greater coordination and more active sharing of contingency plans among the United States and North Korea's neighbors. Once such planning has occurred in the context of the U.S.–South Korea and U.S.–Japan alliances, there might be an opportunity to initiate a deeper discussion of such issues with China, especially as it relates to coordination of humanitarian assistance to North Korea and best practices for responding to refugees in the event of a political vacuum inside North Korea.

Uncertainty regarding the future direction of North Korea's political leadership may also influence



AP Images (Zhang Bingyang)

North Korean leader Kim Jong Il (second from right) talks with Wang Jiarui (left), head of Chinese Communist Party's International Department, Pyongyang, February 2009

North Korea's tactical and strategic approaches to the Six-Party Talks. In response to the international outcry that followed the April 5 missile test and the May 25 nuclear test, Pyongyang announced that it would no longer participate in the Six-Party Talks, restart the Yongbyon reactor, and pursue a uranium enrichment program. While the United States, China, Japan, the ROK, and Russia have called on Pyongyang to return to the Six-Party Talks, it is not likely that the talks will resume in the near future. North Korea's actions may suggest that Pyongyang is attempting to maximize leverage in dealing directly with the United States on a bilateral basis or, conversely, that it has no intention of surrendering its nuclear ambitions.

A major challenge that has beset past administrations when they tried to determine an effective policy strategy toward North Korea has been the need to reconcile the constraints imposed by America's regional policy objectives with the parameters of America's global nonproliferation objectives. A successful approach has not yet been forged that can meld the objectives of nonproliferation while also strengthening America's regional role and credibility. The Bush administration sought to manage this dilemma by increasing both the stakes and the level of responsibility felt by North Korea's neighbors through the six-party negotiations process. But in the course of pursuing such a policy, differences have persisted between those who believe that U.S. objectives are best served by preventing North Korea from engaging in proliferation of nuclear technologies or weapons to other countries, and those who believe that it is necessary to roll back North Korea's program as a means of supporting nonproliferation as an enforceable norm. This debate is likely to continue in the new administration.

North Korea's immediate neighbors should be most concerned about a nuclear North Korea. The six-party process brought together those neighbors as the main actors, but has been relatively ineffectual in achieving concrete results. The priorities of regional powers such as China (and even South Korea) place stability above North Korea's denuclearization, despite a rhetorical consensus in favor of a nuclear-free Korean Peninsula. As a result, there are limits both to regional support for U.S.-led coercive approaches and to the degree of pressure that North Korea's neighbors are willing to apply even in the context of support for diplomacy. In fact, China and South Korea have been more interested in pressing the United States to avoid coercive options than in pressuring North Korea to give up all components

of its nuclear program. This approach has enabled the North Koreans to engage in careful tactics that permit them to retain ambiguity about their overall nuclear status while reaping maximum rewards for limited cooperation.

The Road Ahead

As the Obama administration determines the priority of issues and the means by which it pursues North Korea's full denuclearization, it will be important not to imply in word or deed that a new status quo that includes a North Korea with a limited nuclear arsenal would be acceptable. The administration also will have to weigh various coercive options against continued negotiations in some bilateral or multilateral form as alternatives to achieve North Korea's denuclearization. The depth of this ongoing policy dilemma over North Korea's program is compounded by the contradiction between the widespread perception that North Korea's denuclearization may be impossible without regime change, and the priority that North Korea's immediate neighbors place on maintaining regional stability. This underscores the need for more active pursuit of coordinated contingency planning to deal with the effects of political instability in North Korea.

The Bush administration's approach to negotiations fell short of achieving North Korean denuclearization. The new U.S. administration may be in a stronger position to negotiate effectively with North Korea. Possible policy approaches include continuing six-party negotiations by offering North Korea a last chance to pursue political normalization in exchange for North Korea's denuclearization, while promoting more active compellence efforts among other participants in the Six-Party Talks; setting aside the six-party process and bolstering a common resolve among the other parties, thereby convincing regional partners to push North Korea toward denuclearization; pursuing a bilateral "dealmaking" approach in which the United States quietly offers concrete economic and political incentives in return for the removal of North Korea's plutonium from the country (along the lines of the "preventive defense" efforts led by Defense Secretary William Perry in the mid-1990s); and quietly beginning a policy dialogue with South Korea, and subsequently with China, on how various parties might respond to contingencies should North Korea face future political instability. As a practical matter, any solution to the North Korean nuclear crisis will require regional acquiescence and support if it is to be effective. But the top priority

of China and South Korea has been to prioritize regional stability over destabilizing regime change or nonproliferation. For this reason, the first step for the Obama administration is likely to be negotiations, preferably by affirming the U.S. commitment to the principles enshrined in the 2005 joint statement and requiring North Korea to do the same. At the same time, there is much more that the other participants in the Six-Party Talks can and should do to encourage North Korea that it is essential to regional stability to fully implement the joint statement. If negotiations fail, there will be expectations in the United States that the other five parties will take concrete actions to address the North Korean threat, but it is still not clear at this stage that the other parties will perform according to U.S. expectations. The United States will have to devise a strategy that strengthens political will in Northeast Asia in support of a denuclearized Korean Peninsula.

The new U.S. administration should reaffirm commitments to nonproliferation by reenergizing strategic nuclear arms reduction negotiations and providing continued leadership to address the difficult cases of North Korea and Iran. But such statements will be taken seriously only if the United States also implements a policy that continues to insist that a nuclear North Korea will not be accepted as part of a new status quo on the peninsula and in the region. Effective U.S. leadership in managing the North Korean nuclear issue can demonstrate that the United States remains an essential actor in dealing with pressing regional security issues, in ways that no other single party is able to do. Strengthened cooperation with other parties in the six-party process will limit North Korea's scope to play off of the respective strategic dilemmas of the other parties and will foreclose North Korean alternatives to cooperation.

A prerequisite for strengthening cooperation among the other five parties is more effective coordination with allies in South Korea and Japan. An approach that begins with allies and builds out to other parties would ensure that multilateral coordination within the Six-Party Talks does not contradict American alliances, and emphasize that U.S.-led diplomacy can make important contributions to stability as a supplement to U.S. military alliance commitments in the region.

President Obama has inherited the task of achieving North Korea's denuclearization, following two decades of repeated failures. His administration is in a better position than any of its predecessors to join hands in promoting the kind of regional solidar-

ity necessary for a breakthrough with North Korea. Nevertheless, the perils are great. The administration could also stumble if it fails to align nonproliferation and regional security.

Reengaging with Southeast Asia and ASEAN

The Obama administration likely will be responding to criticism by U.S. allies and friends in Southeast Asia¹ that Washington has not been sufficiently engaged in Asia-Pacific regional affairs in recent years. This perceived neglect has been attributed in part to the Bush administration's preoccupation with other issues around the globe (Iraq, Afghanistan, terrorism, North Korea, and Iran). The fact is that when the United States does reengage more fully in Southeast Asia, it will find that China's resurgence has transformed the region.

Challenges Confronting ASEAN States

From its initial boom in the 1960s, Southeast Asia has been an extraordinarily dynamic region driven by high rates of economic growth and modernization. In little more than a generation, real per capita incomes in Thailand, Malaysia, Singapore, and Brunei—and in many urban areas elsewhere—have quintupled. The sea lanes that traverse the Malacca Straits and the South China Sea have become the world's busiest, in terms of both volume and value. Most societies of the region have changed almost beyond recognition. Never in history had so many people had their lives transformed for the better—that is, until China launched on the same trajectory about 15 years later. Economic development has been accompanied by less dramatic, but nevertheless substantial, political development.

Change of this speed and scope creates inevitable strains and tensions throughout most of ASEAN. Economic growth in the region is uneven, both within countries and particularly among them. In the same archipelago with Singapore, which has living standards higher than Great Britain, for example, lies East Timor, one of the poorest and least developed countries on the planet. Sharing a border with booming Thailand is remote, isolated, dependent Laos, where modernization remains an idea, not a fact. Economic change often produces political fragility, as existing institutions and authorities are challenged by newly empowered, or aggrieved, groups. Southeast Asia has more than its share of still-developing democracies. A country as sophisticated and modernized as Thailand has been unable to break the cycle

of recurrent military coups. The Philippines seems locked in a perpetual state of political incapacity, aggravated by frail leadership, endemic corruption, and weak government institutions. Indonesia, by contrast, has effected a democratic transition that has amazed even the most knowledgeable (and sympathetic) observers. Meanwhile, Vietnam, not unlike China, maneuvers uncertainly between a Marxist authoritarian order and a free-enterprise, open society.

The most graphic evidence of systemic political weakness in ASEAN is the persistence of secessionist movements that challenge the legitimacy of the state itself in Thailand, the Philippines, Burma, and, to a lesser degree, Indonesia. Many of these are the legacy of past empires (European and indigenous) that left significant groups disenfranchised, isolated, and disaffected.

The emergence of Islamist terrorist networks has been one manifestation of societal change and stress. When young Southeast Asian militants returned home from fighting in Afghanistan in the 1980s, they found societies vulnerable to their newly absorbed, violent dreams of an Islamic renaissance. Ethnic divisions, particularly between the Chinese urban minorities that are ubiquitous throughout the region and the majority indigenous non-Chinese, can also reflect the strains of modernization as one group (usually the Chinese) fares better economically than the others. Even the piracy that bedevils regional sea lanes (the crowded Malacca Straits has the highest rate of piracy in the world) reflects economic disparities: it is no surprise when some boatmen from poor seafaring villages on the east coast of Sumatra, watching great wealth pass by in the Malacca Straits with no hope of benefit, try to seize what they can. Inevitably, breakneck economic growth has also produced widespread environmental despoliation—for which nature exacts a price. Recurrent floods in the Philippines, massive uncontrolled fires in Indonesia, and the virtual disappearance of traditional fishing grounds are all of a piece.

Significant interstate tensions exist as well. Unresolved territorial disputes complicate relations between Vietnam and China and among multiple claimants to the Spratly Archipelago and the South China Sea itself. Lesser maritime disputes have impaired relations among Singapore, Malaysia, and Indonesia. Very recently, an old boundary dispute between Cambodia and Thailand has rekindled, with troop movements and bellicose statements by national leaders. Burma represents a special, difficult case: not only is it geographically part of the region and a

member of ASEAN, but it is also a political pariah and economic recluse that remains unintegrated into regional institutions, spurns widely held political and economic values, and resists efforts to foster greater regional cohesion. The Thai-Burma border remains perpetually neuralgic. Vietnam's relationship with China is a complex amalgam of communist fraternity and geopolitical rivalry. For Vietnam's military and security officials, the great strategic challenge is to carve out greater freedom of action under the suspicious gaze of the increasingly powerful and ambitious behemoth to the north. Meanwhile, as these various forces work with and against one another, growing economies have permitted growing support for military budgets in much of the region.

Collective Efforts of ASEAN Members

Despite these challenges, the efforts of ASEAN states to work collectively have translated into a number of economic cooperation and integration initiatives, which include China's positive engagement in the region and the spurring of regional security dialogues. ASEAN has attracted attention and partnerships both inside and outside the region. Its external relationships today are based on its 1997 strategic paper, ASEAN Vision 2020. They range from extended relationships with China, Japan, and the ROK in a forum called ASEAN Plus Three, to bilateral trading arrangements between its member countries and China, Japan, and the ROK, to cooperative relations with Dialogue Partners (Australia, Canada, China, the European Union, India, Japan, the ROK, New Zealand, the Russian Federation, and the United States) and the United Nations Development Program. ASEAN also maintains relations with a number of intergovernmental organizations and actively participates in the APEC forum, the Asia-Europe Meeting, and the East Asia-Latin America Forum.

The ASEAN Plus Three relationship is an outgrowth of the Asian financial crisis of 1997. China, Japan, and South Korea, together with ASEAN, initially sought a mechanism that would support regional efforts to prevent, or at least mitigate, the effects of such a crisis in the future. This relationship has since expanded beyond finance and economics. During the 2002–2003 Severe Acute Respiratory Syndrome crisis, and in the midst of severe avian influenza outbreaks, for instance, ASEAN Plus Three engaged ministers of health and other senior officials in multiple levels of dialogue to explore prevention and mitigation strategies. Since then, other nontraditional security challenges have found their way into

the ASEAN Plus Three agenda, as well as throughout other broader ASEAN venues.

Southeast Asian views of China have changed dramatically since the mid-1990s. China's embrace of multilateral diplomacy, its efforts to reassure Southeast Asian countries of its benign intentions, and its booming economy have led countries in the region to see China more as an economic opportunity than as a strategic threat. This view stems in part from the reality that China is a neighbor and its economic, political, and military resurgence will have an impact on the region. China's growing influence is especially evident in poorer countries such as Burma, Laos, and Cambodia. Others in the region have endeavored, bilaterally and through ASEAN, to benefit from the opportunities afforded by China's boom, while at the same time seeking to create an environment conducive to China's peaceful integration in regional and global affairs. ASEAN nevertheless remains wary of China's overtures and has sought to use the United States as a balancing force within the region. In particular, ASEAN has rejected Chinese attempts to propose greater cooperation on "hard" security matters in favor of "soft" or non-traditional security matters such as terrorism and human and drug trafficking.

The explosion of opportunities for closer engagement in the region, however, also has given rise to questions concerning relations between ASEAN and other countries and the sustainability of regional architectures. Questions about regional architectures remain a complex issue. ASEAN does not appear wedded to a single organizational architecture; instead, it tends to see value in overlapping circles of cooperation. The East Asian Summit brought in India, New Zealand, and Australia; APEC involved the United States and some Latin American countries. In principle, ASEAN appears content to work within its own and other existing regional mechanisms (including APEC, the ASEAN Regional Forum, ASEAN Plus Three, and the East Asian Summit) in the belief that a community must be based on a sense of common destiny and the ability to cooperate in the pursuit of common interests, and that the goals and principles of a Southeast Asian community will eventually emerge as a natural evolution of interaction and consensus-building in the region.

Prospects for ASEAN Cooperation

Any political portrayal of Southeast Asia must acknowledge the remarkable effort over four decades to build institutions that seek to integrate the region

economically, politically, and psychologically. ASEAN is the centerpiece of this effort. Although it is easy to disparage the organization as being far more talk than action, ASEAN nevertheless has succeeded in its core purpose, which is to create processes and a mindset that can prevent the myriad strains within the region from becoming flashpoints for military conflict. Moreover, ASEAN has, to a remarkable degree, given Southeast Asia a central role in much of the multilateral diplomacy of Asia. Whether this achievement can be sustained into the future as larger players become more active on the Southeast Asian stage is an open question.

The diversity of the region and its geography, containing both maritime and continental states, creates economic competition and differences of interests among the member states. Domestic concerns—economic growth, political and regime stability—are often key drivers. Obstacles to collective action come to the surface in disputes over intra-ASEAN sovereignty, the intransigence of the Burma problem, and China's ability to win over weaker ASEAN states through economic influence. While sovereignty and the principle of noninterference provide a common face to ASEAN identity (often referred to as the "ASEAN way"), internal political development and economics dictate national interest for these countries, often producing obstacles to intra-ASEAN cooperation.

The ASEAN leadership has recognized that the changing geopolitical landscape (and the rise of China and India in particular) means ASEAN cannot be complacent about its success. ASEAN concerns were reinforced by a McKinsey competitiveness study, which warned that the association may be in danger of losing its competitiveness and had only a few years to respond or be marginalized.² ASEAN commissioned the Eminent Persons Group to provide practical recommendations on the organization's future direction and the development of an ASEAN Charter (which was signed on November 20, 2007). ASEAN sees two broad challenges for its organization: first, shaping community-building efforts among its members and second, maintaining ASEAN's centrality as it deals with its dialogue partners. In connection with this second challenge, ASEAN leaders express concern about the telling relative absence of the United States in Southeast Asia.

The inability of ASEAN states to work collectively is clearly reflected in its institutional weakness. ASEAN's response to the humanitarian crisis in Burma that resulted from Cyclone Nargis in May 2008

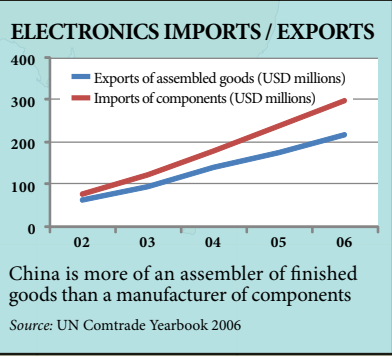
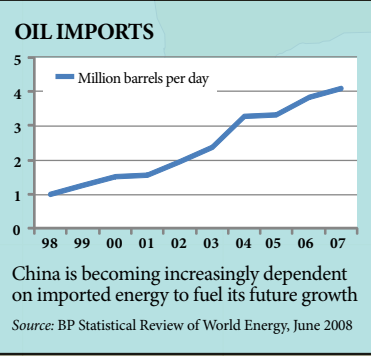
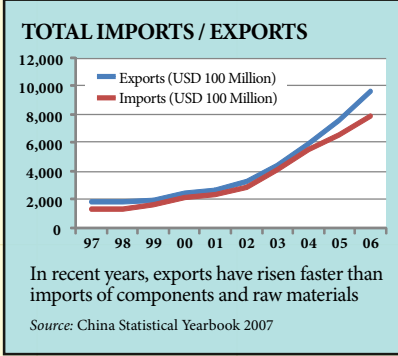
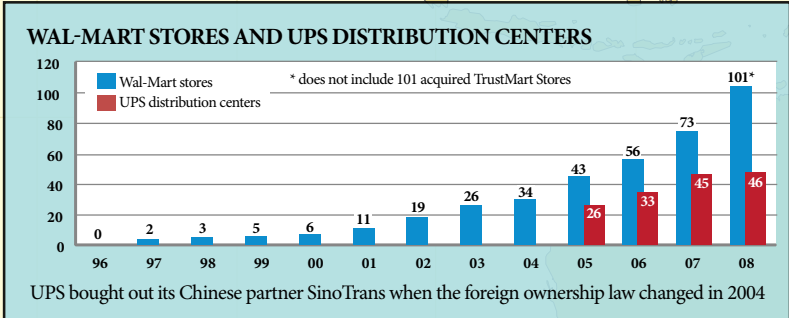
The World's Assembly Line



CHINA'S GLOBAL REACH
 China's reemergence as a major power is demonstrated not only by its economic and military potential, but also by the government's increasing use of "soft power" in the international sphere. Successful in its economic liberalization without equivalent political reform, China has established an active foreign policy that promotes its vision of a harmonious world via a framework emphasizing "peaceful coexistence." More importantly, the country's increasing role in the global economy and its continued investment abroad have increased China's economic interdependence along with its international influence.

Domestic spending on business education and technological development, combined with improved diplomatic representation in developing countries around the world, demonstrates China's commitment to the furthering of its presence abroad. Meanwhile, foreign investment and interest in China show no sign of waning. Today it is a major center of international trade, and the web of economic relationships it has formed provides an important source of influence.

As China sets its sights on a more active role in the international arena, it continues to espouse a desire for a "more just and equitable international order" more favorable to developing nations. This diverse grouping of states is where China's leadership aspirations are most evident today. However, the current global economic crisis is slowing China's economy and trade significantly, which will reduce its demand for imports (and economic leverage over suppliers). Chinese efforts to support exports are likely to raise tensions with economic partners.



demonstrated its potential to act as a mechanism for regional cooperation. Yet such optimism concerning ASEAN's effectiveness rapidly evaporated as internal disagreements over Burma's lack of human rights progress dragged on. ASEAN also remained uninvolved in the Thai-Cambodia border issue, despite Cambodia's plea for it to intervene and help end the dispute. ASEAN's reflexive noninterference has been attributed to its design and function as an institution. Some suggest that while the principle of noninterference facilitates consensus-building among members on some issues (such as nontraditional security challenges and economics), in the long term, it may pose other problems for the organization. Following ASEAN's refusal to become involved in the Thai-Cambodia dispute, Cambodia appealed directly to the United Nations. Such action has the potential to weaken ASEAN's authority within the region in the absence of an effective dispute settlement mechanism, and brings into question the contradiction between the principle of noninterference and ASEAN's desire to establish a political and security community by 2015.

Despite its strong economic partnership with many Southeast Asian states, a sustained military presence, cooperation on counterterrorism, and,

more recently, its response to Southeast Asian concerns about nontraditional security challenges, the United States is perceived as lacking a comprehensive strategy and sustained commitment toward the region. Some assert that the United States exercises its strategic presence primarily through its bilateral and multilateral security relationships, and believe that military and other security assistance in today's strategic environment are insufficient for the United States to maintain its presence.³ But the majority laments its lack of diplomatic engagement, most notably with ASEAN, whose desire for greater regional integration and vision of an East Asian community has placed it at the center of "some very creative diplomacy."⁴ The new administration's level of attention to the region will go a long way toward either reassuring ASEAN that Washington's commitment is undiminished, or convincing the region that Washington's attention is indeed diverted. Signaling the U.S. Government's intention to sign the Treaty of Amity and Commerce, placing the newly created U.S. Ambassador to ASEAN in the region, and participating consistently and at a high level in ASEAN meetings would go a long way toward telegraphing the message that our future is still tied up with the prosperity and well-being of the region.

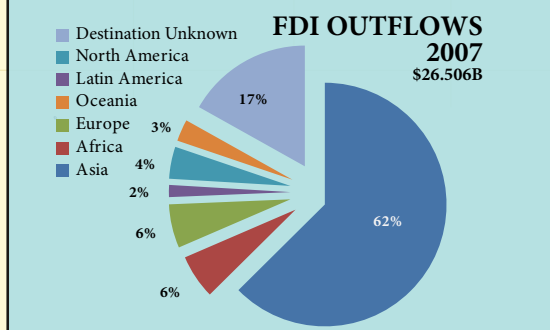
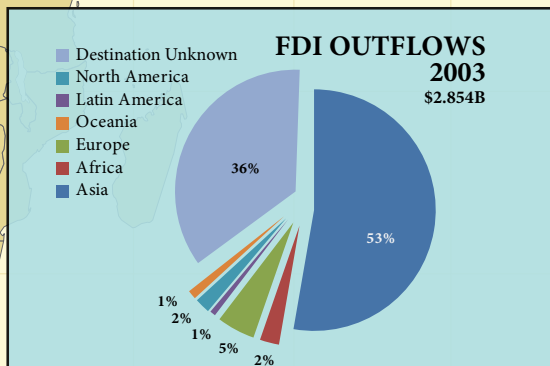


AP Images

Antigovernment protesters and supporters of ousted Thai Prime Minister Thaksin Shinawatra attack prime minister's car, Bangkok, April 12, 2009

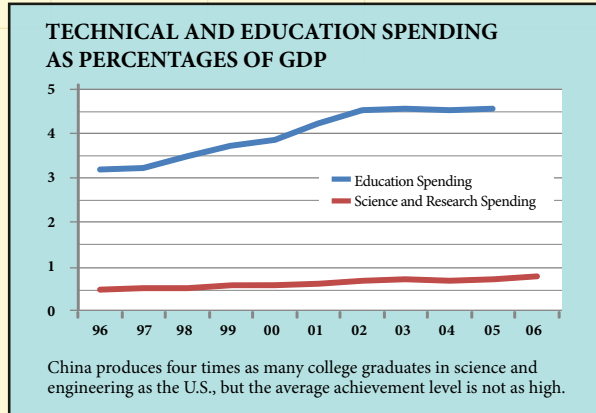
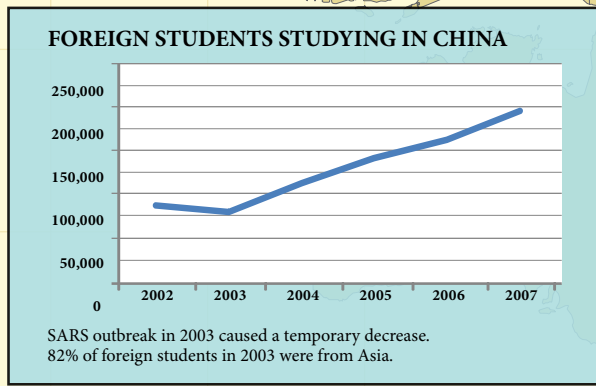
Overseas Chinese by Region

Ethnic Chinese populations abroad represent a potential conduit for Chinese economic and cultural influence. However, the degree to which these populations are integrated into society and able to exert political influence varies widely, with influence greatest in some Southeast Asian countries.



Total FDI outflows grew from \$2.854B in 2003 to \$26.506B in 2007.

"Destination Unknown" indicates FDI outflows through the Cayman Islands and British Virgin Islands, which are not transparent.



Weighting for Asia

Just how important is Asia? As eminent experts and indisputable data tell us, Asia's economic weight and consequent importance to the United States and the world are increasing at an awesome pace. Asia has 6 of the world's 20 largest economies,⁵ 9 of the world's 20 largest foreign exchange reserves,⁶ and many of the world's fastest growing economies over a sustained period of time. As a corollary, Asia's significance to the United States continues to grow. A new initiative of the East-West Center entitled *Asia Matters for America* demonstrates that Asia is a rising source of exports, employment, investment, and student revenue, not only nationally but also disaggregated across U.S. states and congressional districts.⁷ No longer is Asia's importance confined to or concentrated on a handful of states, especially those on the coasts of the Pacific and Atlantic oceans. Led by the renewal of Chinese power, the anchor of Japanese strength (still the second largest economy in the world), the progress of South Korea, Taiwan, Malaysia, and Thailand, and the stirrings of India, Vietnam, and Indonesia, Asia's economic gravity and dynamism are facts of international life unseen in centuries. Recent books have transformed reality into zeitgeist, declaring the arrival of "three billion new capitalists" based on the "great shift of wealth and power to the east" and a "power shift" based on "China and Asia's new dynamics."

Prognostications of Asia's arrival to power have animated American discourse for over a century. Waves of anticipation (and anxiety) have crashed on the shores of reality; Japan's aggressive rise was staunchly by World War II, Japan's economic boom in the 1980s burst on its own, while the 1997 financial crisis interrupted a decade of fast growth across Asia. Today, however, conventional sense holds that Asia has crossed the Rubicon, not as an act of war, but as a sign of arrival to power and prosperity without a chance of return. This may turn out to be true, but there are caveats and enigmas about Asia's arrival—and its future path.

Both absolutely and relatively, Asia's macroeconomic weaknesses are surprising. For example, Indonesia's GDP is slightly less than Sweden's. Accounting for population differences (230 million versus 9 million, respectively), it is much less. Alternatively, India's and South Korea's economies combined are about equal to California's. The reasonable retort is that the potential of Asian economies exceeds that of many countries, primarily from Europe, who occupy the top tier. Perhaps this is true. Largely for demographic reasons, Europe's economies are alleged to have lower ceilings than most of Asia's. But Asia is not immune from such constraints, particularly in its two largest economies, Japan and China, whose populations are aging relatively rapidly. Moreover, large-scale immigration as a means to address demographic constraints and labor needs may not be an option in Asia as it has been in the past in Europe, given Asia's different notions of society, nationality, and citizenry.

More importantly, a second caveat about Asia is its still-provisional nature, as a region where internal and external upsets could derail economic progress. Of Asia's five biggest economies (Japan, China, India, South Korea, and Australia), the prospect of a domestic crisis sufficient to imperil, not simply slow or temporarily interrupt, economic growth is likely only in China and possibly India. Nevertheless, even if Asia does not confront an acute threat of economic collapse, its massive unfinished nation- and state-building challenges keep the future conditional. Indeed, one of the striking contrasts in the analytical expectations of Asia is the gap between the positive portrayal of the whole region and the mixed reviews of its constituent countries. Hence, while region-wide assessments portend "power shifts," "new dynamics," and even "new hemispheres," and proclaim phenomena signaling vitality such as "thunder" and "fire" from the east, country-based appraisals offer more contradictory conclusions. Countering the many studies of



AP Images (Han Jae-ho)

North Korean and South Korean officials meet for inter-Korean prime ministerial talks, Seoul, November 2007

China's achievements are those predicting its collapse. Considerations of Japan's economic future veer between expectations of revival and terminal decline. For every study anticipating India's emergence is another acknowledging its "strange" or "turbulent" rise. In addition, a host of possible external shocks, from a cross-strait or Korean conflict, to North Korean rogue actions, to a major power clash, could damage the *entire* region's economy. It is difficult to envision such shocks in Europe, Latin America, or Africa (though not so difficult in the Middle East). In short, Asia's macroeconomic achievements are evident but mixed, and their future uncertain.

Asia's rising economic weight in America's economy is full of surprises, too. While U.S. exports of goods and services to the Asia-Pacific region exceed those to the European Union, and four Asian countries have consistently been among the top 10 U.S. trading partners, U.S. exports to all of Asia are marginally more than its exports to Canada alone. Certainly the growth rates of exports to Asia in general and to specific Asian countries are high, but not so high as to come close to dislodging Canada and Mexico from their spots as first and second U.S. trade partners. On investments to and from Asia, the asymmetries are more striking. The direct investment position abroad on a historical cost basis shows that by the end of 2005, U.S. investments in Asia were about a third of investments in Europe, just \$20 billion or so more than in Latin America, and \$50 billion less than in Great Britain alone. Of the \$376 billion in U.S. investment in Asia, nearly a third, or \$113 billion, was in Australia, with the other \$263 billion spread over China (the smallest at \$16 billion), Hong Kong (\$37 billion), Singapore (\$48 billion), Japan (\$75 billion), and other Asian countries.

Asia's investments in the United States are similarly skewed. They are less than a third of Europe's, though much higher than Latin America's U.S. investments. But it is Australia and Japan that together account for over 90 percent of Asian investment in the United States, while the rest of Asia combined accounts for just 8 percent. Again, however, trends are changing. For example, India's investments in the United States are now approaching the level of U.S. investments in India. Other considerations of Asia's importance to the United States are even more complex and nuanced. American imports from Asia are massive (hence big trade deficits), but they keep inflation down and provide consumers choice and value. A significant share of these imports, particularly from China, comes from U.S. companies operating there. This fact qualifies the

strength of these national economies, but also raises their importance to the United States.

A final consideration is the continuing centrality of the United States for Asia's economic emergence, both globally and vis-à-vis the United States. For all of America's current difficulties, the sinews of its structural strengths (for example, demography, education, stable political system, geographical location, and strong civil society) are profound. America's relative power will ebb in this century as other countries rise—especially in Asia. But the rise of others cannot happen without a vibrant United States, and the United States will in turn gain opportunities from them. Hence, the United States and Asia will continue to be increasingly interlinked, and declarations that America and Asia are "de-coupling" economically are premature.

The bottom line is that the world, including the United States, is increasingly, and correctly, "weighting" for Asia economically. But Asia's journey is incomplete and enigmatic. Thus, the world also is still waiting for Asia.

East Asia is increasingly important for American prosperity and security. It houses 29 percent of the world's population and produces about 19 percent of global GDP. Asia accounts for 30 percent of total U.S. trade and includes 8 of the top 15 destinations for U.S. exports. One of the biggest stories is China's remarkable economic reforms, which have produced a sustained growth rate of more than 8 percent for almost 30 years. China's economic success, supported by sophisticated regional diplomacy, has turned Beijing into a key economic partner for most countries in Asia (including U.S. allies) and underpinned a dramatic expansion of Chinese regional influence. But Asia is also home to Japan's huge economy, a dynamic South Korea, a rising India, and successful Southeast Asian economies. It is the most economically dynamic region of the world, and Asian countries now hold about two-thirds of global foreign exchange reserves. This shift in economic power as Asia and Asian countries gain greater weight in the world economy is producing parallel changes in the political and security spheres. Asians feel that they deserve a greater voice in global economic and governance institutions, and the economic and increasing military power of China (and to a lesser degree India) has already begun to reshape regional politics.

The United States still holds a strong position within a changing region. Unmatched U.S. military power, enabled and supported by its regional alli-

ances, provides hard security in Asia that no other country or set of security institutions can replace. Countries in Asia look to the United States to provide balance against a rising China whose regional ambitions remain unclear and which has maritime and territorial disputes with many countries in the region. This is seen nowhere more clearly than from Tokyo, where close integration into a bilateral ballistic missile defense network is emblematic of effective practical cooperation under difficult political restraints.

The U.S. market is a key factor for regional economic growth with many of the goods produced by regional production networks throughout Asia ultimately winding up in the United States. The negative impact of the severe worldwide financial crisis and the ongoing U.S. economic slowdown on Asian economies and stock markets illustrates the continuing importance of the U.S. economy. In the face of persistent complaints about the Bush administration's distraction from Asian issues due to the Middle East and overemphasis on a narrow counterterrorism agenda, there is considerable appetite among Asian governments for a more active U.S. regional role.

Despite these strengths, the U.S. position is beginning to be challenged in both the traditional and nontraditional security domains. Rapid growth has allowed China to make substantial investments in military modernization, many of which are focused on antiaccess capabilities that may eventually challenge the U.S. ability to operate in the western Pacific and to fulfill its traditional security responsibilities. China also is developing increased power projection capabilities, including both nuclear-armed missiles and more accurate and longer range conventional ballistic missiles, which can threaten Taiwan and Japan. Intense diplomatic efforts to constrain and eliminate North Korea's nuclear weapons ambitions and potential so far have failed to prevent North Korea from testing a nuclear device, heightening regional concerns about nuclear proliferation. The ability of the Six-Party Talk process to produce verifiable denuclearization of the Korean Peninsula remains in doubt, and will be an important policy challenge for the new administration.

At the same time, countries in the Asia-Pacific are grappling with an increasingly important nontraditional security agenda that requires cooperative solutions and has a direct impact on the day-to-day lives of the people. Issues such as energy security, terrorism, infectious disease, disaster relief, and maritime security have the potential to affect the regional stability and security necessary for continued economic

development. Asia-Pacific countries have begun to address these issues through a variety of political and security organizations including the ASEAN regional forum, the East Asian Summit, the unofficial Council on Security and Cooperation in the Asia-Pacific, the Shangri-La Dialogue, and a series of bilateral efforts. Although some Asian experts see these organizations as a foundation for a new cooperative security approach, they remained limited in both their practical accomplishments and their ability to address contentious traditional security issues such as territorial disputes and potential conflicts on the Korean Peninsula and in the Taiwan Strait. Nevertheless, these organizations are becoming focal points for regional cooperation as well as venues for great power competition. Major powers such as China, Japan, and India see nontraditional security issues as a means of justifying new military capabilities and expanding their regional influence in a nonthreatening way. The United States is an active player on both traditional and nontraditional security issues in the Asia-Pacific, but it will need a more consistent and comprehensive approach if it is to maximize its positive influence in the region.

U.S. alliances continue to provide the foundation for the U.S. hard and soft security presence in the region. Indeed, the Bush administration made concerted efforts to repair and strengthen the political and security foundations of the key U.S. alliances with Japan and South Korea. Alliance transformation is deepening security cooperation and leading to shifts in responsibilities within each alliance. With political foundations strengthened, the new administration will be able to follow through on planned relocations of U.S. forces, and on efforts to build the capabilities of its alliance partners. This will require consistent political engagement, close attention to detail, and patience during consequential negotiations over burdensharing and roles and missions.

A "business as usual" attitude toward U.S. alliances will be insufficient. Japanese security experts are concerned about potential threats from China and North Korea and are raising concerns about the credibility of extended deterrence that must be addressed. The issue of Kim Jong Il's poor health is a reminder that collapse or crisis in North Korea are real possibilities, and could involve the U.S.-ROK alliance in both new military tasks and delicate, short-fused diplomacy with other regional powers. China has become a key economic partner for Australia, making inroads "down under."

There are, of course, many opportunities for enhanced relations available to the United States.

The interoperability and combined capabilities developed with U.S. allies (including Australia, Thailand, the Philippines, and Japan) can be applied outside alliance structures to deal with regional challenges in cooperation with other countries. The 2004 Indian Ocean tsunami and 2005 Pakistan earthquake relief efforts show the strong potential for regional security cooperation and the attractiveness of combining soft power with military capabilities. The challenge for the United States is to develop new models of open security cooperation and work with allies, partners, and other interested countries to address a broader range of security issues. In some cases the United States may take the lead, and in other cases we may be more effective in supporting regional initiatives.

The Obama administration has inherited a reasonably sound foundation for U.S. power in Asia, along with new and growing challenges. It will need to articulate a clear regional vision and policy priorities in order to reassure Asian countries that the United States will adopt a strategic approach and devote sufficient high-level attention to implement its proposals. Doing so will require more effective integration of U.S. economic and security policies to convert U.S. power potential into actual regional influence, especially in the face of increasing Chinese influence.

Asia-Pacific nations will watch U.S. statements about China with particular care, and track closely the outcomes of Sino-American relations. They not

only support U.S. efforts to encourage positive Chinese behavior through active engagement under the “responsible stakeholder” framework, but also want an active U.S. role that maintains regional balance and limits their vulnerability to Chinese pressure. The regional nightmare scenario is a U.S.-China conflict that destroys regional stability and forces the nations of the Asia-Pacific to choose sides. The most difficult challenges the new administration faces in Asia involve positioning China properly within the framework of a broader U.S. regional strategy, and striking the right balance between the cooperative and competitive elements of the U.S.-China relationship.

The potential of the Asia-Pacific cannot be overstated, both for stable economic growth and political cooperation as well as for disruption and instability. America’s own potential, in the region and for the region, is equally profound, clearly appreciated, and closely tracked throughout Asia. East Asia’s challenges are its opportunities as well for the United States, for which expectations remain very high throughout the region. *gsa*

NOTES

¹ *Southeast Asia* here is defined as the 10 countries comprising the Association of Southeast Asian Nations: Brunei Darussalam, Cambodia, Indonesia, Lao People’s Democratic Republic, Malaysia, Myanmar/Burma, the Philippines, Singapore, Thailand, and Vietnam.



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² Adam Schwarz and Roland Villinger, "Integrating Southeast Asia's Economies," *The McKinsey Quarterly*, February 2004.

³ Surin Pitsuwan, "U.S.–ASEAN Cooperation," Center for Strategic and International Studies *Southeast Asia Bulletin* (February 2008), 1.

⁴ Ellen L. Frost, *Asia's New Regionalism* (Boulder, CO: Lynne Rienner Publishers, 2008), 3.

⁵ See <<http://siteresources.worldbank.org/DATASTATISTICS/Resources/GDP.pdf>>.

⁶ See <www.cia.gov/library/publications/the-world-factbook/rankorder/2188rank.html>.

⁷ See <<http://www.asiamattersforamerica.org>>.

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