

# PERSPECTIVE

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## **Southeast Asia's Uneasy Position in America's Indo-Pacific Strategy**

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### **EXECUTIVE SUMMARY**

- With the deterioration of US-China relations and a more realist turn in US foreign policy, Asia is entering a new era.
- One factor that would determine a country's or a region's importance to the US would be its tangible contributions to America's strategic weight or "burden sharing" in Asia. Northeast Asia, Australia and India will be seen as doing this, but not Southeast Asia.
- Another would be economic benefits to the US. The US derives sizeable economic benefits from Southeast Asia, but not nearly as large as from Northeast Asia.
- The most significant factor in favour of Southeast Asia is its geographical location on vital sea-lanes and choke points in the middle of the Indo-Pacific region.
- How well this will work for Southeast Asia will depend upon how relevant Southeast Asian states make themselves to American and allied interests.

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## **INTRODUCTION**

The attention the US has paid to Southeast Asia has varied over the years and there has often been anxiety in this region about how it measures in the eyes of Washington.

How important is Southeast Asia to the US today in the context of heightened US-China rivalry<sup>1</sup> in the Indo-Pacific region and how does this importance compare with that accorded to other regions in Asia, principally Northeast Asia and India?

This paper spotlights some factors likely to shape US perceptions on this issue. First it will state briefly the new context of power politics and the more realist turn in US foreign policy. Second, it will look at some factors that shape US perceptions of the value of a country or a region to US interests and how Southeast Asia would measure by these yardsticks. Finally, it examines why Southeast Asia's importance will be mainly due to its geographic location in the Indo-Pacific and its perceived vulnerability to America's strategic competitor.

## **THE INTERNATIONAL SETTING AND TRUMPISM REALISM**

Southeast Asia is entering a new era. The security and economic dynamics of the last forty years, which have benefitted East and Southeast Asia much, were underpinned by the rapprochement between the US and China in the 1970s after over two decades of bitter confrontation. That era is ending and a new one marked by a struggle for supremacy between these two great powers is beginning. Asia, not Europe, has become the centre of international politics. The Free and Open Indo-Pacific and the Quad are not just labels; they set the direction of US strategic policies.

There is an on-going re-ordering of America's international engagements strictly according to the concrete strategic and economic benefits they bring to the US. President Trump's "America First" philosophy also contains seeds of isolationism but the US system of checks and balances will prevent the country from acting on his worst impulses. The pre-Second World War type of isolationism is highly unlikely, since America will still remain interconnected and inter-dependent with the outside world in many ways.

However, US foreign policy will take a much needed turn from liberal internationalism to realism. The former, as the reigning ideology since the end of the Cold War, is being criticised for involving the US in needless and debilitating conflicts in the Middle East, and alienating Russia and pushing it into a de facto alliance with China. Even though, in the American system, liberal values in foreign policy cannot be abandoned and indeed serve as valuable symbols of soft power as well as means for promoting realist interests, the balance will likely shift. Trump's policies have a strong dose of realism and this is likely to gain greater traction in mainstream thinking in the future in order to better husband resources and meet the challenge from a rising China.<sup>2</sup>

Further, the US is unlikely to abandon its fundamental interest, held unchanged for more than a century, of not allowing another power to dominate East Asia (now read the Indo-Pacific). The safeguarding of that interest will not necessarily need the big strategic superiority that the US enjoyed in the Asia-Pacific in recent decades. A balance of power can be maintained,

with the help of allies and partners in a multi-polar Asian system as US primacy declines in the coming years.

## **CONTRIBUTING TO AMERICA'S STRATEGIC WEIGHT AND REACH IN ASIA**

One criterion of “importance” of a country or a region to the US, from Washington’s perspective, would be the degree to which it adds to US power and reach in Asia. Clearly, by this yardstick, Northeast Asia wins hands down. It has since the 1950s been the great augmentor of the US strategic weight in Asia and this is likely to continue into the future. Southeast Asia performs poorly in comparison.

Japan is a strong ally and the critical enabler of US power projection in Asia by providing air and naval bases to US military forces. The country has nearly a US \$5 trillion economy, the third largest in the world, and a substantial military force which can be expected to expand incrementally and which cooperates closely with US forces. At a time when the US needs more security “burden sharing” from allies and friends, Japan’s contributions, including financial ones, are crucially important. Further, Japan is expected to be an important partner, in both economic and military terms, in the broader Free and Open Indo-Pacific strategy.

There is another reason why Northeast Asia will remain important to US interests and in need of more attention. Because of America’s treaty commitments to Japan and South Korea and its commitment through the Taiwan Relations Act not to allow Taiwan to be absorbed into the mainland by force or threat of force, Northeast Asia is the most likely region of the Indo-Pacific where the US could become involved in a major war. The chances of the US being involved in a major conflict with China elsewhere in Asia, including in Southeast Asia, seem relatively low, though the danger of incidents occurring in the South China Sea through miscalculation remains.

Australia is a reliable ally with a significant naval and air capability and its provision of base facilities to the US makes it another country that adds to US power in Asia. It has been alongside the US in wars in the past.

In terms of strategic weight, India, with a population of 1.2 billion, and a big strategic and economic potential, would clearly be more important than Southeast Asia. It already has significant military capabilities, and, like Japan, would resist domination by China. It is also a natural competitor of China for influence at least in the Indian Ocean and in the future possibly further afield. It is no surprise therefore that the US has embraced India. Though not a US ally, Washington sees it in its vital interest to help develop the capabilities of India, as can be seen in the increasingly close military ties. India, like Japan and Australia, is also a democracy. While this may not matter to President Trump, it does to many in Congress and the American foreign policy elite.

The US does not have strong and reliable military allies in Southeast Asia which have both the material capacity and the political will to help the US shoulder the security burden of constraining and balancing China. It has two treaty allies, Thailand and the Philippines, but both have a weak military and relatively weak economies. With a powerful China in their vicinity, they would prefer to hedge. The US has arrangements for access of its military

forces to the military facilities of some countries, including those of the two allies, but their willingness to provide access during regional military contingencies involving China would be uncertain. The vagaries of the domestic politics of the two allies only adds to the uncertainty.

## **BENEFITING THE US ECONOMY**

The economic value to the US of a country would be another significant criterion. US-Southeast Asia total two-way trade in 2017 reached US\$233.1 billion.<sup>3</sup> Trade has been growing steadily and will continue to grow as Southeast Asian economies expand at an average of over 5 per cent a year and the middle classes more than double from 135 million in 2015 to 334 million in 2030. In 2015, nearly 550,000 American jobs were supported by export of good and services to Southeast Asia which amounted to US\$105 billion, an increase of 81 per cent since 2004.<sup>4</sup>

Still, at 6.3 percent of total US trade in 2017, trade with Southeast Asia is much less than America's trade with China, Japan, and Korea (CJK) which was 25.3 per cent of total US trade in the same year.<sup>5</sup> This gap may be narrowed, but only to some extent, if more firms relocate to Southeast Asia to reduce their dependence on China.

The cumulative stock of US FDI in Southeast Asia in 2015 was US \$226 billion or about 6.7 per cent of total stock of US FDI. This was higher than US FDI in CJK which accounted for 5 per cent of total US FDI. Much of the FDI in Southeast Asia is in Singapore. However, the cumulative stock of FDI from Southeast Asia to the US, important for US jobs, though growing at an average annual rate of 28 per cent since 2004, is still low at US\$28 billion compared to Japan's US\$ 411 billion and South Korea's US\$40 billion in 2015.

Visitors from Southeast Asia add US\$ 5 billion per year to the American economy and students US \$1.17 billion. Visitors from CJK to the US add about US\$58 billion to the US economy. The amount spent by students from CJK is not available, but it must be significantly higher than what Southeast Asian students spend since over 400,000 students from CJK study in the US compared to 55,000 from ASEAN countries. Most of the students from CJK, about 350,000, are from China and this figure could drop if there are policy changes in China or the US.<sup>6</sup>

In sum, though Southeast Asia is an important economic partner of the US, overall, Northeast Asia is more important.

## **SOUTHEAST ASIA'S IMPORTANCE SHAPED BY GEOGRAPHY AND VULNERABILITY**

Southeast Asia's main importance to the US lies in its geography, i.e. its location in the middle of the Indo-Pacific region astride strategically and commercially vital sea-lanes and because of its perceived vulnerability to Chinese inducements and pressures. Any alignment with China of one or other of the key maritime states of Southeast Asia located on or near the narrow straits would be a strategic loss for the US and its allies.

This factor assumes even more significance when it is realised that the most important strategic competition of the 21<sup>st</sup> century between the established power and a rising one will be played out in the Indo-Pacific, just as in the 20th century it was played out in Europe between then pre-eminent powers; first Britain, then the US on one side, and the challengers – Germany in two world wars, then the Soviet Union – on the other. The Indo-Pacific in a sense will be akin to the central front in Europe which ran through Germany during the Cold War, though this time it will mostly be a maritime theatre. The US is likely to view this vast region, to which there has been a major shift of global economic power in recent decades, as deserving the concentration of US resources, both military and economic.<sup>7</sup>

Robert Kaplan, who stresses the importance of geography in strategic affairs, has described the Sumatra-peninsular Malaysia-Singapore region as ‘‘the heart of maritime Asia’’ and the Straits of Malacca which runs through it as the ‘‘Fulda-Gap of the 21<sup>st</sup> century multi-polar world’’ because of its control of the energy life lines of America’s northeast Asian allies and hence of their destinies.<sup>8</sup>

## **SOME COMPLICATING FACTORS**

While geography enhances the value of Southeast Asia in American eyes, its politics may not.

Southeast Asian international relations have changed since the end of the Cold War. Though ostensibly non-aligned, much of non-communist Southeast Asia was aligned more towards the West during the Cold War because of the shared sense of threat from communism. Since then, China has made significant economic and political inroads with the result that many countries of Southeast Asia are hedging and a larger and more diverse Association of Southeast Asian Nations (ASEAN) seeks to be neutral and equidistant between China and the US.

ASEAN and some Southeast Asian countries have evinced some misgivings about the Free and Open Indo-Pacific (FOIP). The concerns voiced include a perceived threat to ASEAN centrality, its presumed anti-China character, and ideological overtones favouring democracy. It is not clear at this stage how this will affect US perceptions of Southeast Asia, but there is some exasperation at least in some think tank circles with the ASEAN position. For example, John Lee, an Australian scholar and an advisor to former Foreign Minister Julie Bishop, has said that ‘‘the current era will either enhance or lessen the relevance of ASEAN in the eyes of these three countries [meaning the US, Japan and Australia] in the years ahead depending on how the organisation and its key member states respond’’.<sup>9</sup>

## **AN ARENA OF CONTEST**

Since alignments in Southeast Asia are likely to be unclear and potentially fluid, the region could become an arena of particularly sharp competition between the two great powers. As David Shambaugh puts it, Southeast Asian countries ‘‘are likely to become increasing *objects* of competition’’.<sup>10</sup> This will not necessarily be a bad thing for Southeast Asia because its

individual states and ASEAN will be able to enjoy economic and other benefits from the rival camps. However it would also bring pressures and tensions which Southeast Asian states will have to navigate with skill.

The US approach, like that of China's, will be to deal bilaterally with individual countries while also engaging ASEAN. Given its limitations of resources and the need for "burden sharing", it is also likely to be selective. The focus is likely to be more on critical states lying on or near choke points, which would mean Indonesia, Malaysia and Singapore. Vietnam and the Philippines, both bordering the South China Sea, will also receive attention. The US would want to maintain access to Philippine military facilities. Vietnam, perhaps alone in Southeast Asia, has both the potential to develop a significant military capability in the future and the will to resist China. Though not a US ally, a strong and independent Vietnam would indirectly serve US interests. So would a strong and independent Indonesia, the largest and strategically arguably the most important country in Southeast Asia.

US will engage through diplomacy, military to military relations, security capacity building and assistance – as well as developmental assistance together with allies like Japan – to help strengthen the resilience of these states. States in mainland Southeast Asia will not be "abandoned" but the efforts there to build resilience may in the future be undertaken more by US allies. Southeast Asia will remain important to Japan and Australia.

## CONCLUSION

With other pressing problems, and various posts in the relevant bureaucracies still remaining vacant, at this stage probably not much serious thought has been given in the Trump Administration to Southeast Asia. Still the factors outlined above are likely to shape US perceptions of Southeast Asia. Ultimately, from the US perspective, like that of any other great power, the importance of Southeast Asia will depend on how supportive it is of US interests.

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<sup>1</sup> The US' change of attitude towards China has been striking. China has been declared a "revisionist" power and a "strategic competitor" "that seeks Indo-Pacific regional hegemony in the near term and displacement of the US in the future to achieve global pre-eminence." See US *National Security Strategy* document 2017.

<sup>2</sup> The case for more realism and less liberalism in America's foreign policy is eloquently argued by John J Mearsheimer in his latest book *The Great Delusion*.

<sup>3</sup> ASEAN Trade Database, 25 May 2018.

<sup>4</sup> *ASEAN Matters for America and America Matters for ASEAN*, East West Center, 2017.

<sup>5</sup> CEIC and OECD databases.

<sup>6</sup> The statistics in this paragraph are obtained from *Asia Matters for America, America Matters for Asia* as well as *ASEAN Matters for America, America Matters for ASEAN*.

<sup>7</sup> Robert Kaplan points out that as early as 2007 and 2008 the US Navy and the US Marine Corps in their respective strategy documents were already regarding the Indian Ocean and its adjacent waters as a central theatre of competition and conflict in the future, together with the western Pacific. "This

signals”, he says “a momentous historical shift away from the North Atlantic and Europe”. *Monsoon: the Indian Ocean and the Future of American Power*, Robert D Kaplan, Random House Inc New York, 2010, page 9.

<sup>8</sup> See Kaplan (2010), page 261.

<sup>9</sup> See John Lee, “The Free and Open Indo-Pacific and Implications for ASEAN”, in *Trends in Southeast Asia*, ISEAS-Yusof Ishak Institute, No 13, 2018.

<sup>10</sup> See David Shambaugh, “US Relations with Southeast Asia in 2018: More Continuity than Change”, in *Trends in Southeast Asia*, 2018 No.18, ISEAS – Yusof Ishak Institute, Singapore.

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