In the early months of 2012, US attention in Southeast Asia was focused on two sides of the region: in the east on tensions in the South China Sea between China and the Philippines, which have energized the US-Philippine alliance; and in the west on the impact of the April by-elections in Burma, which have paved the way for a quantum leap in US engagement with the country. Beneath these headlines, attacks and explosions in Thailand and the Philippines were a reminder that terrorism is still a serious threat. Policy debate in the region over the US “pivot” to Asia was stimulated by a US request to double the number of littoral combat ships docked at Singapore as well as by discussion between Washington and Manila on the rotation of US troops through Philippine bases. Both possibilities represent modest steps toward a configuration of “flexible bases” in Southeast Asia. However, they are only the tip of the iceberg as 2012 promises to have an unprecedented number of US joint exercises with Southeast Asian nations and other forms of military cooperation, suggesting the “pivot” is an ongoing and incremental process that has been underway for years.

China and the Philippines add Scarborough Shoals to the South China Sea conflict

The latest source of tension in the South China Sea began on April 10, when a Philippines Navy flagship, the Gregorio del Pilar, attempted to arrest Chinese fishermen for illegal fishing near the Scarborough Shoals and met with resistance from Chinese surveillance ships. The standoff lasted nearly two weeks but both sides de-escalated by downgrading their presence to patrol boats. Both China and the Philippines claim the Shoals. Manila has proposed bringing the dispute to the International Tribunal on the Law of the Sea; predictably, China opposes the idea, preferring to stick to its strategy of dealing with South China Sea disputes through bilateral negotiation or, where possible, joint development.

Resolving such skirmishes as the Scarborough Shoals is made more difficult by a worsening security climate in the South China Sea. Although major conflict is still a remote possibility, the number of irritants is climbing. Two months prior to the Scarborough incident, Vietnam accused China for blocking 11 Vietnamese fishermen who were seeking shelter in a storm from the Paracel Islands. Although China holds most of the Paracels, Vietnam does not recognize Beijing’s claim over them. In March, Taiwan joined the fray and issued a statement (parallel to one from Beijing) criticizing the Philippine invitation to foreign oil companies to enter into joint agreements to explore resources in the disputed Reed Bank. In April, China warned both India and Russia not to develop gas or oil blocks in the South China Sea. Beijing was most likely alarmed by recent agreements between Vietnam and Russia on oil exploration and India’s reach into Southeast Asia from Burma in the west to Vietnam and other eastern points of the region.
These heightened tensions have also given rise to new lines of cooperation. In March, Vietnam and China inaugurated a hotline between their foreign ministries. Apart from the symbolism, the line was intended to defuse tensions over incidents in the South China Sea. At the same time, the Philippines and Vietnam proposed joint “war games” in the South China Sea as well as a bilateral hotline and joint patrols; not surprisingly, Beijing protested the proposal. In April, Hanoi offered support for Manila’s proposal at the ASEAN Summit in Cambodia to address South China Sea problems through ASEAN mechanisms. The decision to formulate a common ASEAN position on the proposed China-ASEAN Code of Conduct (COC) on the margins of the ASEAN Summit in April met with instant Chinese disapproval. The debate over the appropriate channels through which to negotiate a COC is largely hollow, since none of the regional actors believes that a formal COC would have legal force. Implementation guidelines promulgated at the 2011 ASEAN Summit were a preview of just such a future for the COC.

With Cambodia as chair of ASEAN this year, Prime Minister Hun Sen has said that the group will address South China Sea issues and also offer mediation services for the conflict on the Korean Peninsula. Both are doubtful. Beijing will use its considerable economic influence in Cambodia to dilute any real ASEAN efforts on the South China Sea. In fact, Hun Sen took the South China Sea as a formal topic off the Summit agenda, and discussion on the sidelines was conducted only at the insistence of Vietnam and the Philippines. An ASEAN role in the Korean conflict is even less likely. When Cambodia chaired ASEAN in 2003, Hun Sen offered the services of an “ASEAN troika” on the Korean Peninsula, an offer that went unanswered. However, both proposals are in keeping with Cambodia’s campaign for a non-permanent seat on the UN Security Council and so will remain in ASEAN’s rhetoric throughout the year.

The Scarborough Shoals incident coincided with the annual US-Philippine Balikatan joint military exercise, and the maritime component was interpreted variously as both a catalyst and a response to the skirmish. Apart from this awkward timing, the nature of the Scarborough incident underscored the running debate between the US and the Philippines on the application of the bilateral Mutual Defense Treaty (MDT) to problems in the South China Sea. Under Article IV of the Treaty, the US and the Philippines are required to recognize an “armed attack” in the “Pacific area” on either part as an attack on the other. Article V defines the geography of an attack, which includes the metropolitan territory of either party or the “island territories under its jurisdiction in the Pacific or on its armed forces, public vessels or aircraft in the Pacific.” The defining language, however, may be in the term “armed attack,” which many legal authorities argue is beyond the mere use of force or the threat of force.

Although the US endeavors to remain neutral in disputes over territorial claims such as these, US-Philippines security cooperation has found new life with tensions in the South China Sea. In the first four months of 2012 the two countries conducted a second round of the bilateral Strategic Dialogue in January and the first Ministerial Dialogue “2 Plus 2” – with secretaries of State and Defense – in April. The primary “deliverables” at the Ministerial Dialogue were a US agreement to increase foreign military financing to the Philippines nearly three-fold. This follows a trend over recent months in which two former US Coast Guard cutters have been transferred to the Philippines, the most recent one approved by Congress in February. Although the expansion of cooperation is incremental and modest, it has spiked domestic tensions in the
Philippines. Demonstrations and attacks on US diplomatic posts in the country are a reminder of what US alliance managers in Northeast Asia know all too well: domestic dynamics are a major factor in 21st-century US security relations.

The political “gold rush” into Burma

The results of the April 1 by-elections in Burma followed broad international predictions as Aung Sang Suu Kyi’s National League for Democracy (NLD) won 43 of the 45 available seats. The government party and parliamentary majority party, the Union Solidarity and Development Party (USDP) won only one seat – one that was not contested by the NLD. Of the 43 seats, the NLD now has 37 in the lower house (out of 440 seats), 4 in the upper house, and 2 in regional parliaments. Both sides – the USDP and the NLD – have levied charges of election irregularities against the other. However, since the NLD won all of the seats it contested, it would be difficult for them to allege that they had been harmed by imperfections in the process. As it was all but certain that the NLD would win the seats they contested, and because the by-elections were obviously the trigger for concessions from the international community, the government also would have little to gain in real terms if it pursued a case against the NLD for election irregularities.

By US measure, the response of the Obama administration to the by-elections was robust. In the days leading up to the election, State Department officials had hinted that they would lift some sanctions if the by-elections went well. Indeed, in March they lifted restrictions on Burmese diplomats at the United Nations, which had prevented them from traveling more than 25 miles outside New York City. In the week following the elections, the Obama administration announced that it would:

- Nominate an ambassador to Rangoon to restore normal diplomatic relations after more than 20 years. Shortly after the announcement, Derek Mitchell, currently the US special representative for Burma was nominated. He is likely to be confirmed by the Senate, with Sen. James Webb (chair of the Senate Foreign Relations Committee’s Asia Subcommittee) and Sen. John Kerry (chairman of the full Foreign Relations Committee) in favor of expanding relations with Burma. In response, Burma can be expected to assign an ambassador to Washington, most likely one from the small but significant “reform” element in the Burmese government.

- Support a full and normal UNDP program for Burma.

- Lift many restrictions on US NGOs working in Burma. Among other things, this means that NGOs working in Burma will no longer be in violation of US sanctions and therefore will not be required to seek special licenses from the US Treasury Department to circumvent those sanctions.

- Lift the ban on some Burmese regime members’ travel to the US, although Secretary of State Hillary Clinton emphasized the US would continue to refuse entry to those officials “on the wrong side of history in Burma.” Shortly after this announcement, Clinton invited Burmese counterpart Wunna Muang Lin to visit Washington for consultations.
• Begin a “targeted easing of the ban on the export of financial services and investment.” Although this provision was very carefully worded, it is perhaps the most significant of the administration’s post-election announcements. As with the other four concessions, the administration is likely to change only those things that lie within the purview of the executive branch, as opposed to sanctions that were legislated by Congress. Both the administration and Congress are likely to target those sectors that would contribute to greater openness in Burma and retain sanctions on those that most benefit the military. As a result, sectors likely to have restrictions eased first are telecommunications, tourism, agriculture and banking. Sectors that are likely to remain under sanctions for some time (not least because they are specifically legislated by Congress) are gems, timber and natural gas, which analysts believe most benefit the military.

Apart from the post-election package, the State Department will invite Burma to become a full member of the Lower Mekong Initiative, and expects that the foreign minister will participate in the Lower Mekong Ministerial Meeting in July. Although the Mekong River is relatively insignificant in terms of Burma’s water resources and river travel, the growing Mekong diplomatic and economic infrastructure is appealing to Naypyidaw.

Resuming military-to-military relations with Burma is likely to be a slower and more sensitive process. The US has serious reservations about the relationship between Nyapyidaw and Pyongyang and has indicated that it would like to see Burma drop its ties to North Korea entirely. Any significant movement in security relations will likely have to await a strong signal from Congress, but the US Department of Defense has initiated dialogue with Burmese defense officials on a joint project to recover remains of US missing in action (MIA) during World War II. Because MIA recovery is considered to be humanitarian assistance, it is not subject to sanctions. The US believes that the majority of MIA remains are in Kachin province, where armed conflict between the government and the Kachin Independence Army continues. A few sites lay outside the Kachin state and these are likely to be the first areas for joint operations, if and when substantive cooperation begins.

Like the US, other advanced democracies have moved to lift some sanctions on Burma in the wake of the by-elections. At the end of April the foreign ministers of the European Union voted to “suspend” most common sanctions except the arms embargo. A critical element of the EU policy shift has been changes in the policy of the United Kingdom, which has been the bellwether on Burma sanctions in the EU. The post-election visit of Prime Minister John Cameron and Aung Sang Suu Kyi’s subsequent public statement encouraging the EU to suspend sanctions clearly eased the process. Australia and Canada have also moved to lift restrictions.

The most vigorous response to the elections among external powers has been by Japan, which was poised to increase commercial activity and economic assistance as soon as opposition to these moves had diminished in the West. Like the US, Japan has made use of emerging Mekong structures to bring Burma more closely into Tokyo’s diplomatic circle. Japan has pledged $7.4 billion in aid to five of the Mekong countries – Thailand, Vietnam, Laos, Cambodia and Myanmar (China being the sixth) – over the next three years. More to the point, Burmese President Thein Sein was included in the April 21 Mekong-Japan Summit in Tokyo, his first
official visit to Japan. On the same day, Prime Minister Noda Yoshihiko announced that Japan would forgive more than $3 billion in past loans made to Burma, which had been an obstacle in restarting Japanese assistance. Apart from assistance, Japan is helping to set up Special Economic Zones in Thilawa, south of Yangon, in Kyaupkyu near the Bay of Bengal, and in Danwei, an industrial estate in the south in which Thailand is also an investor.

China, ASEAN, and UN Secretary General Ban Ki Moon have called upon all external powers to lift sanctions on Burma, so as to reward and strengthen the reform process. It is doubtful that either Beijing or the ASEAN capitals believed that this would happen when the statements were issued, but they serve several purposes. First, they underscore the need for international support of Burma’s new policies. A second reason might be more pragmatic, which is that they help establish China and ASEAN as being more prepared than the other powers to engage in stronger relations (particularly in the commercial sector) in the near future.

Two hardy perennial threats

The focus on the South China Sea and Burma’s continued opening to the outside world diverted attention from two other threats in the region that persist – terrorism linked to Islamist groups and proliferation. Although Southeast Asia sees both of these threats as being relatively modest, they are serious nevertheless. In early 2012, the small but persistent Abu Sayyaf Group (ASG) was seen as the main terrorist activity in the Philippines. Over a three-month period, it was blamed for attacks on grocery stores, buses, and military patrols. In February, the government captured two ASG suspects believed to be implicated in incidents in Mindanao in 2007 and 2009. The government’s approach to the ASG is “draining the swamp,” or weakening it by attrition, which is usually applied to terrorist groups that operate more as criminal gangs than as violent political groups. However, this is a lengthy and ragged strategy that can last for decades.

Manila takes a different approach to the Moro Islamic Liberation Front (MILF), a spin-off of the Moro National Liberation Front and seeks to reach a settlement through negotiations. President Benigno Aquino aims to reach a peace accord with the MILF no later than the end of his term in 2016, but hopefully before, and agreed to a proposal for Moro autonomous rule in Mindanao at talks reconvened in Kuala Lumpur this year. However, in February, MILF political operatives released a letter casting doubt upon the success of the current round of negotiations. Previous attempts to complete the accords have foundered on issues such as the return of Moro ancestral lands originally transferred to Christian Filipinos during transmigrations in the 1950s.

In February the United States designated the Indonesian Jemah Anshorut Tauhid (JAT) a foreign terrorist organization, because of its link to the 2004 bombing of the Australian Embassy in Jakarta. However, the Indonesian National Police has refused to accept the ban, which calls into question whether it will cooperate in apprehending the group’s leaders and operatives. In the meantime, the last significant suspect in the 2002 Bali bombing, Umar Patek, was arraigned on charges in Jakarta, after being given sanctuary by the Abu Sayyaf.

Events in Thailand and the Philippines resonated with tensions outside the region with Iran and underscored the fact that Southeast Asia can be a dangerous transit route for global security threats. In January, an Iranian with links to Hezbollah was arrested in Bangkok following the
discovery of a munitions cache. In March, a second Iranian group was discovered and apprehended when they attempted to build a bomb that exploded prematurely and destroyed the house in which they had been hiding. The groups were believed to be targeting Israeli diplomats and tourists in Bangkok, but nearly a dozen countries issued travel advisories for their citizens. China was the first country to withdraw the advisory, while the US kept its warning in place. The Bangkok arrests were part of a recent series of Iranian and Hezbollah plots in several regions targeting US, Israeli, and Saudi Arabian officials, including an attempt to assassinate the Saudi ambassador to Washington last year.

In February, Singapore acceded to a US request to extradite four suspects from a US company on charges of conspiring to evade the US trade embargo against Iran by smuggling electronic components, which were found to have been used in explosives. A month before, the United States had sanctioned the Singaporean company Kuo Oil Private Limited in January for selling refined petroleum products to Iran. Two other companies, one from China and one from the United Arab Emirates, were also sanctioned.

Is the United States already “pivoting” in Southeast Asia?

Although the US continues to urge its Southeast Asian trading partners to negotiate entry into the Trans-Pacific Partnership, the greater momentum in 2012 thus far has been in security relations. Indeed, the expansion of US security cooperation in the region in recent years is striking, and 2012 promises to be further ground-breaking. Although analysts on both sides of the Pacific continue to debate the implications of greater US attention to Asia under the now-clichéd “pivot,” in reality a deepening of US defense posture in Southeast Asia is already in train.

This is, however, a very cautious process. Domestic political opposition in Southeast Asia to a higher US military profile in the region, particularly in competition with China, is one constraint. Another is the need to maintain a delicate balance to ensure that troop rotation, pre-positioning of equipment, and ship docking continue to be discussed in the context of “flexible basing” and that a tipping point into permanent bases is avoided at all costs. Having waved goodbye to the last foreign bases in Southeast Asia when the US left Subic Bay and Clark Air Base in the Philippines in 1992, Southeast Asians are vigilant against their return.

In early 2012, US flexible basing in the region inched forward when the United States requested concurrence from Singapore to deploy up to four littoral combat ships (LCS) to Singapore by 2016. This doubles the number originally considered under a 2013 deadline.

But the greater growth in US security relations in Southeast Asia in recent months is in joint exercises and dialogues. A number of “first-ever” dialogues took place in early 2012: the first US-Singapore Strategic Partners Dialogue in January and the first US-Philippines Ministerial Dialogue in April. For the first time in 20 years, the US-Philippines Balikatan exercises had a multilateral window, with 15 participants from other ASEAN countries.

Cobra Gold, originally a bilateral exercise between Thailand and the US, has expanded dramatically in recent years in the number of partners and the scope of its training. In February, more than 10,000 troops from 17 nations participated in the largest multilateral training event in
the world. *Cobra Gold* provided the template for multilateral cooperation in disaster relief for the 2004 tsunami in the Indian Ocean and Cyclone Nargis in Burma in 2008. *Cobra Gold* also provides a berth for regional observers, which have included China and Vietnam in recent years. Extending observer status to Burma in the near future may be another entry point into a US-Burma security relationship; although no concrete discussion in this regard has taken place.

However, there are numerous obstacles to the expansion of the US security presence in Southeast Asia despite this recent momentum. Although military-to-military relations with Thailand have recovered since International Military Education and Training (IMET) was suspended in the aftermath of the 2006 coup, strategic dialogue between the two countries has lagged, in part because of Thailand’s internal political crisis. Political issues of a different nature restrain the development of US-Vietnam security relations. Although cooperation has progressed with ship visits and cooperation in such areas as counter-terrorism, military medicine, and peacekeeping, US objections to Vietnam’s human rights practices block the sale of lethal weapons to Hanoi. This linkage is one factor that has stalled completion of an agreement on a US-Vietnam strategic partnership, which the Obama administration had hoped to complete this spring.

**Looking ahead**

Another round of negotiations for the Trans-Pacific Partnership will take place in May in Dallas as the Obama administration attempts to forge an agreement it can sign before the end of the year. But, the greater focus of US policy in Southeast Asia through the summer will be on diplomacy and security. In view of several incidents in the South China Sea this year, Southeast Asians will look to the Shangri-La Dialogue in Singapore in early June for signals from US defense officials on Washington’s bottom line. In mid-June the long-delayed US-Thailand Strategic and Defense Dialogue will convene in Washington, a significant step toward reviving the alliance after several years of drift. In July, Secretary of State Clinton will make her final appearance at the ASEAN Regional Forum, as well as at the Lower Mekong Initiative Ministerial Meeting and the Friends of the Lower Mekong Initiative group. As the summer goes on, the East Asia Summit, which is scheduled for November will exert a gravitational pull on US relations with Southeast Asia. If President Obama attends, he will be the first serving US president to visit Cambodia. However, he will come under pressure to visit three other countries in the region: US treaty allies Thailand and the Philippines, as well as Vietnam, which extended an invitation to Obama at the beginning of his presidency.

**Chronology of US - Southeast Asian Relations**

**January - April 2012**

**Jan. 9, 2012:** US Ambassador at Large for Human Trafficking Luis CdeBaca visits Burma, which has been designated as a Tier 3 country, the most serious violators of anti-trafficking laws, for several years.

**Jan. 9-13, 2012:** Special Representative and Policy Coordinator for Burma Derek Mitchell visits Burma and Thailand to follow up on Secretary of State Hillary Clinton’s December visit to Burma. In northern Thailand, he meets local officials and assistance groups working with refugees in the border region.

Jan. 13, 2012: A Hezbollah-linked suspect is arrested in Bangkok after the discovery of a munitions cache and a planned bombing. Eleven countries issue travel advisories, which the Thai government fears will damage, tourism.

Jan. 13, 2012: The Obama administration announces it will restore diplomatic relations by sending an ambassador to Burma, which will also enable the Burmese government to post an ambassador to Washington. Later, Derek Mitchell, currently US special representative for Burma, is nominated to be the first US ambassador to Burma in 20 years.

Jan 13-Feb. 17, 2012: The 31st annual Cobra Gold exercises take place in Thailand with more than 13,000 troops participating and seven partners: the US, Thailand, Japan, Malaysia, Indonesia, Singapore and South Korea. Humanitarian and civic assistance programs are conducted in seven Thai provinces.


Jan. 21, 2012: Returning from a visit to Vietnam, US Sen. John McCain and Joseph Lieberman announced that the US will not lift its ban on lethal weapons sales to Vietnam until the country makes more progress on human rights.

Jan. 25, 2012: The US drops its opposition to Vietnam’s right to produce nuclear fuel as a precondition for a bilateral agreement on nuclear cooperation under negotiation.


Feb. 6, 2012: US suspends restrictions on assessment missions and limited technical assistance by international financial institutions in Burma by issuing a partial waiver of sanctions imposed under the Trafficking Victims Protection Act. The waiver is only valid until September.

Feb. 8-16, 2012: Assistant Secretary of State for Political-Military Affairs Andrew Shapiro travels to the Philippines, Indonesia, Singapore, and Malaysia to discuss security cooperation.
Feb. 10, 2012: US Congress approves the transfer of a second Coast Guard cutter to the Philippines Navy. A retired US cutter was transferred in 2011, but most of the ship’s radar and sensor equipment was removed. Manila requests that the equipment on the second cutter remain.

Feb. 10, 2012: Singapore agrees to extradite four of its citizens to the US on charges of conspiring to evade the US trade embargo against Iran by smuggling electronic components which were subsequently used for explosives in Iraq.

Feb. 14, 2012: Three Iranians are arrested in Bangkok after they accidentally blew up their house when a bomb-making attempt backfired. A fourth Iranian escaped to Malaysia but was extradited back to Thailand.

Feb. 23, 2012: US State Department designates the Indonesian Islamic group Jemmah Anshorut Tauhid (JAT) a foreign terrorist organization, a precondition for imposing financial and legal sanctions against the group.

Feb. 24, 2012: The Indonesian National Police declares that it will not ban the JAT despite the US designation.


March 6, 2012: Congress approves legislation enabling the US Commerce Department to continue to levy tariffs on imports from Vietnam, China, and other non-market economies that subsidize exports.


March 13-22, 2012: WE and Cambodia conduct the third year of Angkor Sentinel, joint military exercises that focus on peacekeeping and humanitarian assistance operations.

March 15-18, 2012: US Peace Corps Director Aaron Williams visits Vietnam to explore the possibility of an invitation from the government to inaugurate a Peace Corps program in Vietnam.

April 1, 2012: Burma holds parliamentary elections; National Democratic League wins 43 of the 45 seats being contested.

April 2-5, 2012: US Pacific Command sends a representative to the first ASEAN Regional Environment Security Forum in Jakarta. This coincides with the second Regional Environmental Security Conference, co-sponsored by the Indonesian Ministry of Environment and USPACOM.
Apr. 3-4, 2012: The 20th ASEAN Summit is held in Phnom Penh.

April 4, 2012: Defense Secretary Leon Panetta and Singaporean Defense Minister meet in Washington; US requests deployment of up to four littoral combat ships to Singapore by 2016.

April 4, 2012: Secretary of State Clinton announces that the US will begin to ease sanctions on the export of US financial services to Burma, lift the travel ban on some Burmese officials, remove restrictions on US NGO’s working in the country, and reopen a US Agency for International Development mission.

April 8, 2012: A stand-off near the Scarborough Shoal in the South China Sea begins between Chinese and Philippine surveillance ships over Chinese fishing activity near the shoal.

April 10-14, 2012: A string of bombings attributed to the Abu Sayyaf in the southern Philippines kill seven and wound several others. Targets include an army patrol, a civilian bus, and a cockfight.

April 12, 2012: The US provides support for a new disaster monitoring and response system at the ASEAN Humanitarian Assistance Center in Jakarta.

April 16, 2012: Demonstrators attack the US Embassy in Manila with paint to protest the US-Philippine exercises close to disputed areas in the South China Sea.

April 16-27, 2012: The US and the Philippines conduct the 28th annual Balikatan (“Shoulder-to-Shoulder”) exercises involving 4,500 US troops and 2,300 Philippine personnel. Exercises take place in and around Palawan and Luzon and naval include patrols in the South China Sea.

April 23-28, 2012: The US and Vietnam conduct five days of naval exchanges to focus on “non-combatant events and skills ... in areas such as navigation and maintenance.”

April 27, 2012: US provides $1 million in training and equipment to the Indonesian Ministry of Transportation to strengthen port security.
April 30, 2012: First US-Philippine Ministerial Dialogue is held in Washington. The “2 Plus 2” meeting brings together secretaries of state and defense from both countries.

April 30, 2012: USTR releases its annual Special 301 Report. Malaysia is removed from the Watch List for legislation that strengthens copyright protection and stepping up Intellectual Property Rights (IPR) enforcement. The Philippines and Vietnam remain on the Watch List, while Indonesia and Thailand are on the Priority Watch List of countries that present the “most significant concern” on IPR protection.

April 30-May 3, 2012: Vice Adm. Scott Swift, commander of the US Seventh Fleet, visits Cambodia to discuss Cambodia’s participation in the 2012 Cooperation Afloat Readiness and Training (CARAT) exercises and other forms of cooperation.