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US-Malaysia Relations and Regional Security

Dr Patrick Cronin is Senior Advisor and Senior Director of the Asia-Pacific Security Program, Centre for a New American Security (CNAS). On 9 September 2014, an ISIS International Affairs Forum was held to discuss US-Malaysia relations and regional security. Cronin's presentation revolved around the rise of China, the rise of the Islamic State of Iraq and Syria (ISIS), Japan's present-day role as one of US' strongest allies, and the pro-democracy demonstration in Hong Kong. The Forum was moderated by **Dato' Steven CM Wong**, Deputy Chief Executive, ISIS Malaysia. ISIS Intern **Mr Abu Bakar Badruddin** and Research Assistant **Ms Nurul Izzati Kamrulbahri** report.

Dr Patrick Cronin's presentation began with a focus on the Obama administration's foreign policy strategy in East Asia — the so-called "Pivot or Rebalancing to Asia". This policy has cultivated a feeling of unease in Beijing as it is perceived as an act of Washington's containment policy towards China. However, Cronin emphasised that the US "Rebalancing to Asia" is driven by politically diplomatic decisions by the Obama administration. The United States seeks to: (i) strengthen their cooperation with regional governments for security and economic matters; (ii) deepen their working relationship with emerging powers, including China; and (iii) engage with regional multilateral institutions, particularly ASEAN.

The United States seems to be firm in its stand that there will be no serious confrontation with China as a new rising power, albeit obvious competitions occur in various aspects. However, these competitions are mostly benign and Cronin was positive that a new Cold War will never take place although China has been gradually challenging the grey zone line with its stern claims in territorial disputes.

He further explained that a more in-depth engagement with ASEAN is needed due to the recent territorial disputes. ASEAN, he noted, has played an important role in the region, and yet, not a sufficient one. The absence of an enforcement mechanism in ASEAN was brought up and he urged Malaysia to push it through. Such a mechanism will be made possible by the implementation of the ASEAN Code of Conduct (COC), which is expected to be realised by 2015 alongside the anticipated plan for the ASEAN Community in the same year.

The COC, according to Cronin, will not happen unless ASEAN is willing to be more assertive. Though the recent pivot to Asia is one of President Obama's main foreign policy endeavours, the United States is not keen to play too much of an aggressive role here. Nonetheless, he believes that the US presence will trigger more positive capacity building efforts among the ASEAN members. With bilateral and multilateral relations in plan, the United States is confident that its presence in enforcing a sturdier enforcement of capacity building in Southeast Asia will still be significant.

Cronin went on to discuss the relationship between the United States and Malaysia, which has been going on for many years and molded by factors such as leadership, domestic issues and the regional environment. Ties were initiated through indirect and triangular relationships during the early days, and subsequently entered a new phase with visits by President Johnson in 1966 and President Obama in 2014. President Obama's recent visit to Malaysia touched on various issues ranging from trade and investment to counterterrorism efforts. During Tun Dr Mahathir Mohamad's tenure as prime minister, political relations with the United States became strained as the former prime minister was very critical of US foreign policy. Nevertheless, this did not prevent the United States from being one of Malaysia's largest trading partners, even during Tun Dr Mahathir's tenure. Indeed, US-Malaysia relations have seen progression over the years and both countries realise that understanding each other's perspectives and interests is important and can help forge deeper relations.

On the surge of the Islamic State of Iraq and Syria (ISIS) and whether or not there will be a re-pivot to the Middle East, Cronin stated that the United States is not leaving the Middle East entirely, only the ground war. The United States will use its air supremacy as an effort to combat the rise and spread of Islamic State militants. The problems in the Middle East will not undermine the US pivot to Asia. Cronin added that the ASEAN member states must be aware of and address the growing threat of radical Islamicism in Southeast Asia.



Patrick Cronin

Finally, Cronin remarked how modern Japan has become one of the strongest and most committed economic partners of the United States. However, he raised a concern over Japan's small military budget; approximately 0.8 percent of Japan's gross domestic product (GDP) is allocated towards military expenditure. He questioned if Japan was "free-riding" on American military power. He also highlighted the importance for Japan to maintain good relations with its nearest neighbours, particularly South Korea and China. It is indisputable that South Korea and China are now among the major contributors of the world economy and any conflict with Japan would have an impact on Asia-Pacific countries as well. Hence, it is in everyone's interest for Japan to uphold good relations with South Korea and China.



Participants at the forum

Latin America and Asia Pacific Realities: Defining the Agenda

Dr **Ignacio Bartesaghi** is Coordinator of the Latin America–Asia Pacific Observatory, a joint initiative of the Latin American Integration Association (ALADI), Economic Commission for Latin America and the Caribbean (ECLAC) and Development Bank of Latin America (CAF). He is also Associate Director of the Department of International Business and Integration Studies with the Business School at the Catholic University of Uruguay. On 2 October 2014, he spoke at an ISIS International Affairs Forum about the realities and key issues surrounding the fast-growing relationship between Latin America and Asia Pacific. The Forum was moderated by **Tan Sri Rastam Mohd Isa**, Chief Executive of ISIS Malaysia. ISIS Analyst, **Ms Zarina Zainuddin**, reports.

Latin America and Asia Pacific, specifically East Asia, have been two emerging economies for the last few decades. Yet geographical, historical and cultural distances have led to a general lack of awareness of each other. **Dr Ignacio Bartesaghi** hoped that his presence will represent the first step towards establishing and enhancing the ties between the two regions.

Bartesaghi contended that commercial links between Asia Pacific and Latin America should not be analysed without looking at the transformation in global economy and trade in the last two decades. The transformation aspects include “changes in production systems resulting

from advances in technology, the significance of services traded, the various levels of integration (economic, commercial, financial, and so on), and the new disciplines of international trade”.

While both regions are growing, Latin America’s presence in international economy has shown a gradual decline while East Asia continues to grow (see Figures 1–4). While the gross domestic product (GDP) per capita is higher for Latin America, the gap is shrinking due to the rapid GDP growth of Asia Pacific. From 1980 to 2012, Asia Pacific grew at 4.3 percent while Latin America grew at 2.8 percent during the corresponding period.

Figure 1: Asia in Worldwide Exports

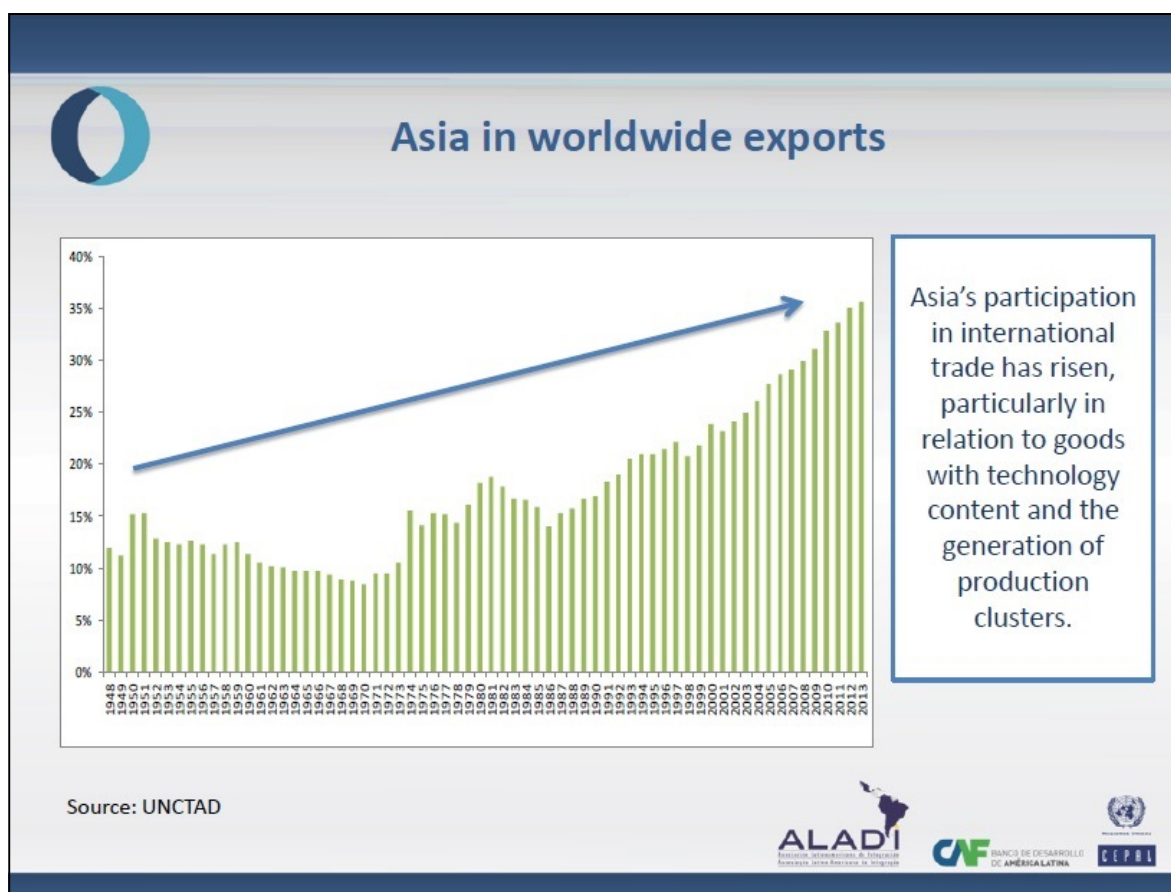


Figure 2: Latin America in Worldwide Exports



Figure 3: Asia in Relation to Foreign Direct Investment (FDI)

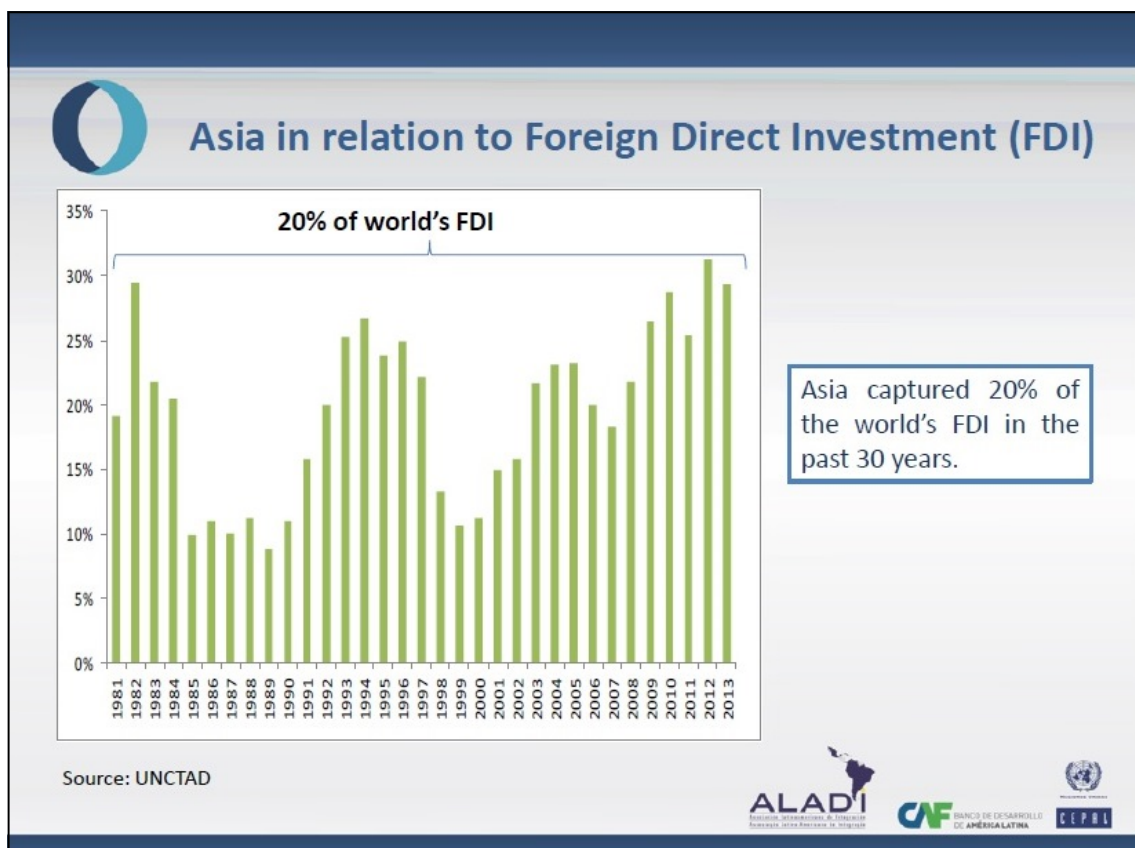
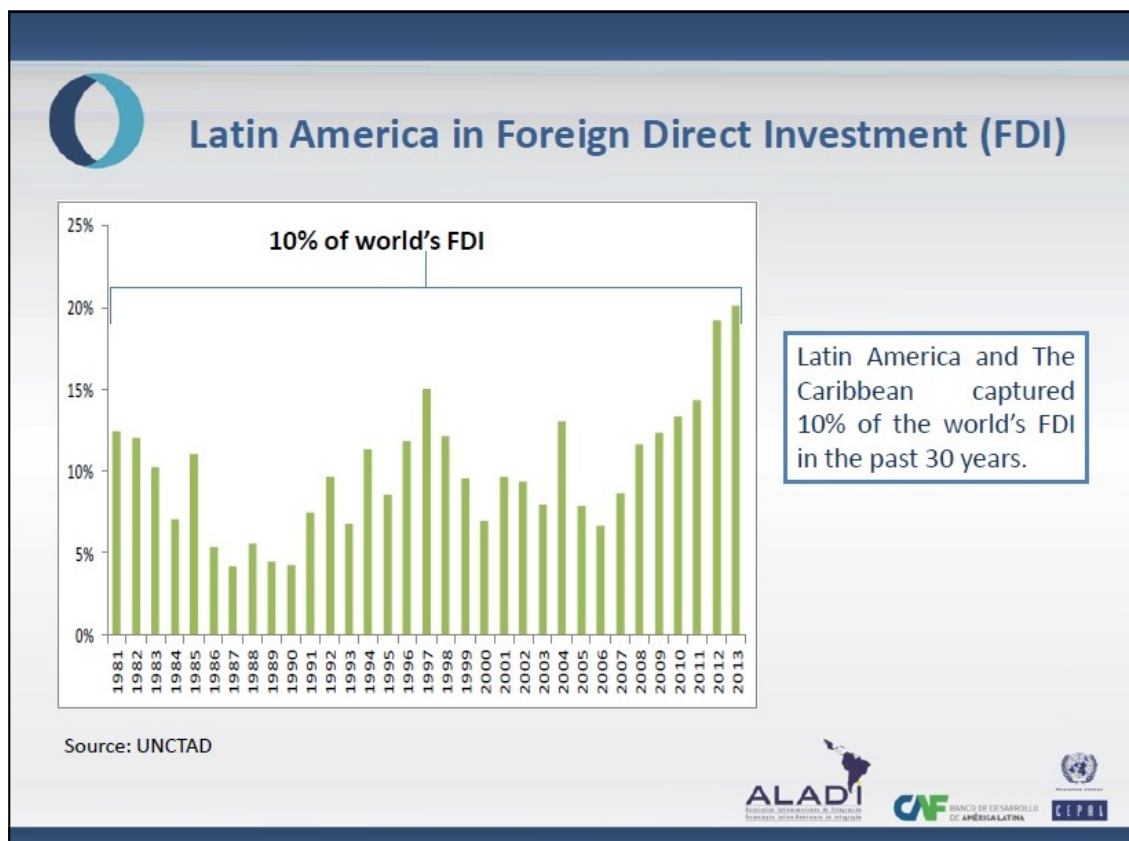


Figure 4: Latin America in Foreign Direct Investment (FDI)



The bilateral relationship between the two regions has increased in recent years, centred primarily on trade (see Figure 5). A closer look at the figures revealed a degree of concentration in bilateral trade. China dominates, accounting for an average of 46.4 percent of total imports for the past decade, followed by Japan at 16.4 percent and South Korea at 8.9 percent. Corresponding figures for total export mirrored that of import, with China's exports making up 48.3 percent of Asia Pacific to Latin America, followed by Japan and South Korea at 15.5 percent and 12.8 percent respectively.

Mexico, Brazil and Panama are the top three destinations for export for Asia Pacific, while Brazil, Chile and Mexico are top import markets. From 2001 to 2012, Latin America's exports consisted mainly of primary goods including minerals, fuels, and agricultural goods. Latin America imports industrial goods, including electrical and mechanical machinery, motor vehicles, and plastic and chemicals.

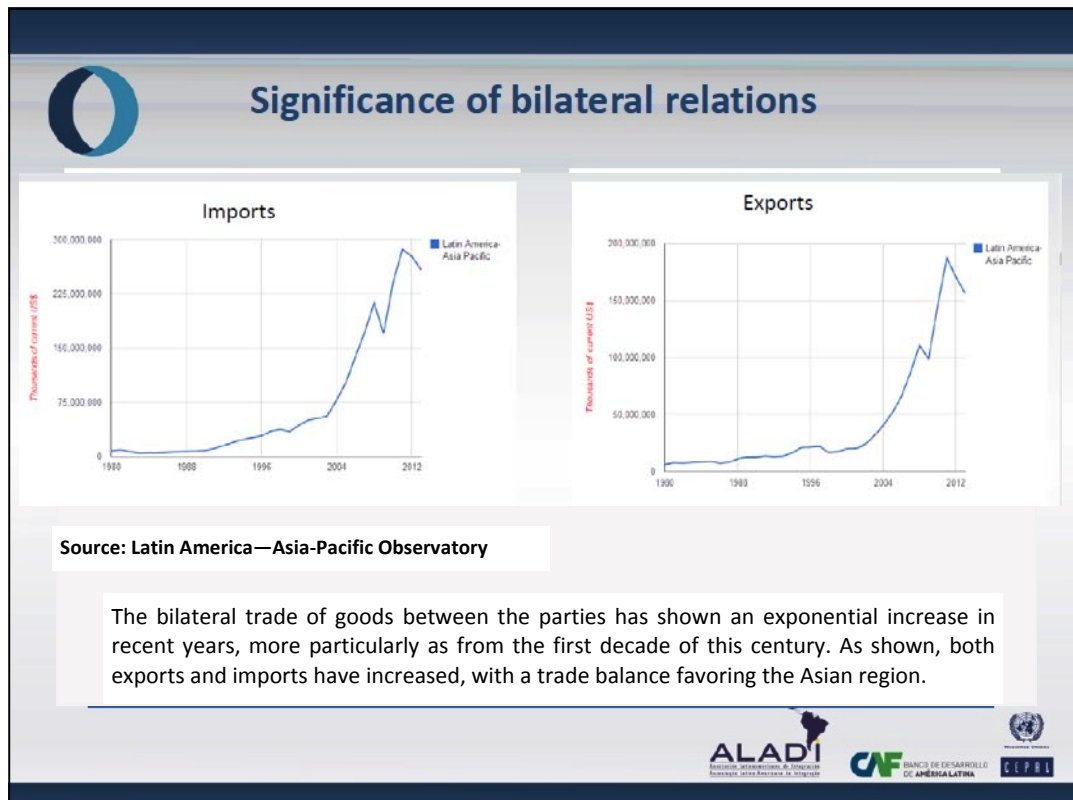
In general, Latin America sustains trade deficits against Asia Pacific. According to Bartesaghi, the negative trade balance,

particularly with China, has created some tension. This situation has led some countries in Latin America to call for "protectionist measures (specifically not related to taxes)" in order to protect the domestic industry from its Asia Pacific competitors.

A couple of trends have emerged from the trade between the two regions. Firstly is over dependency on China as a trading partner, and secondly, a pattern of primary goods export and industrial goods import for Latin America to Asia Pacific. Bartesaghi mentioned that Latin American countries would like to address the imbalances through increasing trade with other countries in Asia Pacific, in particular Southeast Asia and India.

The current trade pattern of primary or industrial goods is reminiscent of the old North-South trade (Latin American-Western countries). By enhancing trade with Southeast Asia and India, Latin America will not only decrease its dependence on China but will also diversify its trade component. Bartesaghi felt that these new markets from resource rich developing countries will show more interest in the industrial goods produced by Latin America.

Figure 5: Significance of Bilateral Relations



Trade and investment agreements are relatively new aspects in the bilateral relations between the two regions. Chile and Peru have signed the most trade and investment agreements with Asia Pacific; along with Mexico, they are also most active in negotiations for agreements with other nations in Asia Pacific. China and South Korea lead the Asia Pacific nations with the largest number of agreements with Latin American countries.

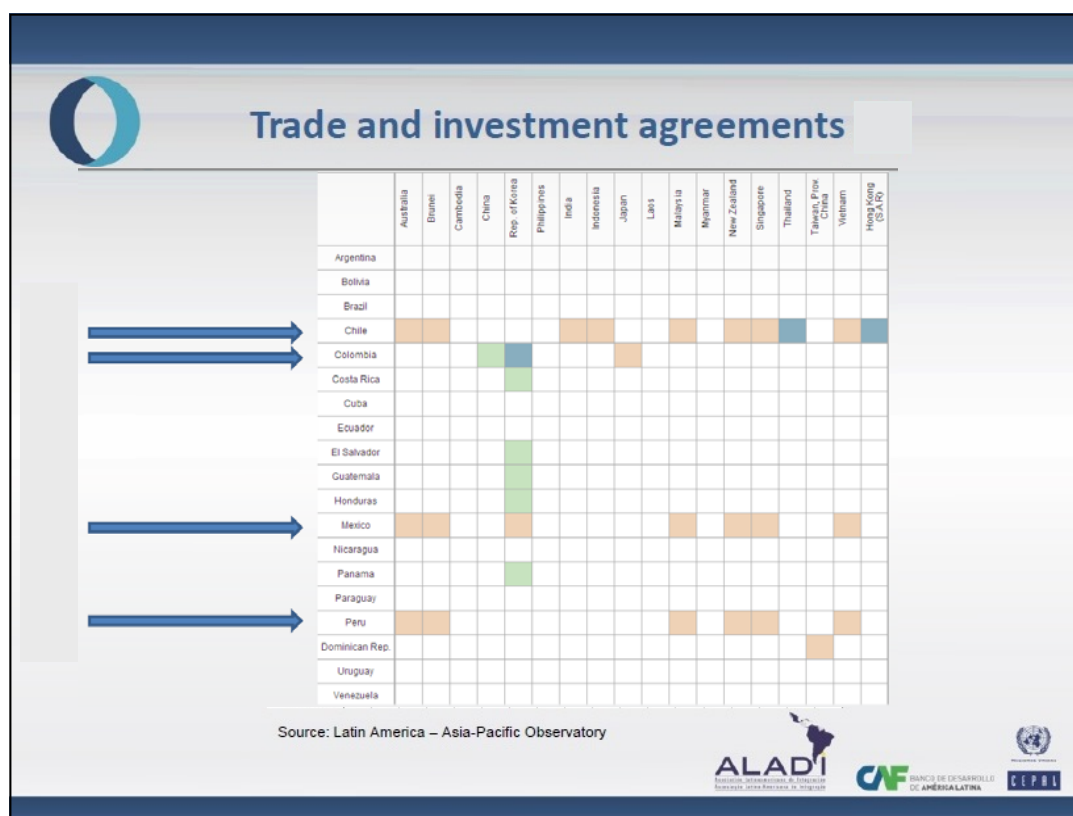
On the other hand, members of MERCOSUR (a sub-regional bloc comprising Argentina, Brazil, Paraguay, Uruguay and Venezuela; its associate countries are Chile, Bolivia, Colombia, Ecuador and Peru) do not have trade and investment agreements with Asian countries (refer to Figure 6). He explained that this demonstrated “the different inclusion strategies” as applied by Latin American countries.

One of the challenges of bilateral relations between the two regions is distinguishing the differences of individual countries within each region. The differential aspects include the nation’s history, geography and culture as well as “their productive development and strategies for inclusion”. Bartesaghi observed that there is greater diversity among the Asia Pacific countries than their Latin American counterparts. It is

important, therefore, to identify these diversities in order to formulate effective strategies and policies towards Asia Pacific. Bartesaghi also noted that a higher degree of divergence exists within Latin America when dealing with the Asia Pacific and global economy.

As mentioned, Latin America’s trade relation with Asia Pacific is highly concentrated and the trade of goods between the two regions is fairly narrow. Asia Pacific, by contrast, trades widely with a variety of countries in the world and its “productive structure is more sophisticated”. Asia Pacific has greater economic integration within the region as a result of the massive supply chain network within the region. East Asian economies are also more competitive because of their relatively open economy. Bartesaghi highlighted that existing agreements (ASEAN Economic Community, AEC and ASEAN Plus) as well as those being actively negotiated (Trans-Pacific Partnership, TPP and Regional Comprehensive Economic Partnership, RCEP) could potentially affect Latin America negatively in terms of market access should they come to fruition. This is one of the reasons why some in Latin America want to initiate and enhance contacts with countries in Asia Pacific, particularly in Southeast Asia.

Figure 6: Trade and Investment Agreements



The world is changing fast, and it worries Bartesaghi that much of Latin America is still not part of the international value chain phenomenon, which has been spearheaded by Asia. While Latin America excelled at being a primary products producer, to advance as producers of goods and services, there is a need for the region to be a part of “the value and processing of products, and to identify new opportunities in sectors such as services and other industrial products”. To achieve this, a joint effort is required from the public and business sectors as well as the academics of both the Latin America and Asia Pacific region.

In addition to strategies, Latin American countries should be aware of “the dynamics of the changes, including new issues and actors”. Bartesaghi said that “the public policies implemented by the two regions should be able to enable certain agreements as to the integration mechanisms and the political harmonising of both Latin America and Asia Pacific”.

The agenda will turn increasingly complex, “demanding the definition of precise policies for different areas. This reality will demand teams of experts in the Foreign Ministries and more precise policies”. For Bartesaghi, the risk of non-action or

delayed actions could translate to the loss of spaces and opportunities.

The increasing number of issues and agendas also “defines an exponential growth of interchange between the peoples, thus generating more opportunities for entrepreneurs and academicians” to learn more about each other. The relations between Latin America and Asia Pacific justify an active role of the state in defining policies in favour of increasing interaction. At the very least, said Bartesaghi, the region must “define some general policies at least in some common issues”.

Bartesaghi said that it was good to see the agenda of the two regions gradually evolve to include new issues including trade in services, significance of financing by Asian banks (particularly from China), tourism, joint projects in the energy sector, investments in infrastructure, cooperation in new areas including the military, scientific or technological, empowerment of productive clusters, cultural, academic and political exchanges. For Bartesaghi, such development confirms that the bilateral relations have begun to expand beyond trade and commerce.

The Crisis in Ukraine and Emerging Geo-Political Issues

Mr **Joseph Cirincione** is President of Ploughshares Fund, Washington, D.C., which also serves as an International Security Advisor Board for Secretary of State John Kerry. He spoke of the crisis in Ukraine and the emerging geo-political issues at an ISIS International Affairs Forum on 7 October 2014. The Forum was moderated by **Tan Sri Dato' Seri Mohamed Jawhar Hassan**, Chairman, ISIS Malaysia. This report was prepared by ISIS Research Assistant, **Ms Nurul Izzati Kamrulbahri**, and Intern, **Mr Abu Bakar Badruddin**.

The current political situation is very challenging and becoming more volatile each day. The ongoing crisis in Eastern Europe, particularly in Ukraine, and the rise of the self-proclaimed caliphate of the Islamic State (IS) have increased the concerns of many. According to **Mr Joseph Cirincione**, both conflicts have affected US foreign policy and regional stability.

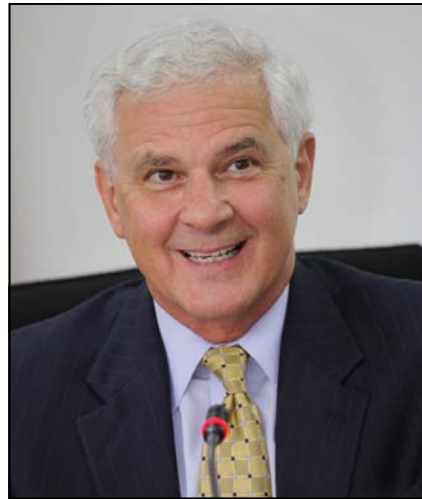
Demonstrations in Kiev began in November 2013, after former President Yanukovich's cabinet abandoned an agreement on closer economic ties with the European Union (EU). These street protests escalated into clashes at the Independence Square, making it the worst day of violence for almost 70 years. All of these culminated in the annexation of Crimea by Russia. Cirincione said that this crisis was an internal issue for Ukraine and, essentially, a Ukraine-Russia conflict. Nonetheless, the Crimean crisis has caused severe implications to the EU's global strategic security.

Why?

Firstly, Russia is an important country and also a permanent member of the United Nations Security Council (UNSC) — the so-called “P5” — which enables Russia to prevent the adoption of any “substantive” draft Council resolution. Note that it is also one of the world's largest nuclear armed states besides the United States. Secondly, Russia is involved in numerous issues around its border in Europe and Asia. Thirdly, Russia is a growing economic power house; its involvement, or non involvement, in global environmental issues affect many countries.

Spark of the crisis

According to Cirincione, the Ukraine crisis started when the Ukrainian Government moved towards a closer economic partnership with the EU. For Russia, the possibility of Ukraine joining the North Atlantic Treaty Organization (NATO) was a matter



Joseph Cirincione

of national security. Cirincione added that Russian leaders believed that US military-diplomatic actions were all targeted at Russia; they felt that the “democracy movement” in Eastern Europe was instigated by the United States as part of a plot by Washington to surround Russia.

The annexation of Crimea was the first incident, since the end of World War Two, in which territory was obtained through the use of force. In this case, however, both the United States and Russia have avoided direct military confrontation to contain the escalation of the crisis. Cirincione explained that it is not just about avoiding a war, it is also about re-engaging Russia as an important nation. It is vital that Russia cooperates with its European partners and the United States since Russia has been a productive partner on the global security stage. Russia's cooperation is necessary in maintaining international order and stability.

US-NATO allies

Efforts by President Obama to form a diplomatic-economic coalition in response to the Ukraine crisis have been effective although there was hesitancy in the early stages. Cirincione presumed that the United States and NATO were likely to

pursue three interrelated policies throughout the year. First, the United States and NATO do not want to take any actions that legitimise the annexation of Crimea and other territories in Eastern Europe. Second, they will continue to seek Moscow's cooperation on significant matters, such as negotiations on strategic nuclear arms control. Third, the United States will reassure its allies in Europe to keep the alliance strong.

To prevent exploitation in times of crisis, the EU will need to find ways and take concrete steps to decrease its dependency on Russia's natural gas.

"Unprecedented sanctions"

The United States and its allies have made "unprecedented sanctions" against Moscow — travel and trade have decreased, foreign reserves have been crippled, senior officials and businessmen have been blacklisted. However, the EU's energy security challenges are making it difficult for European sanctions to be imposed on Russia. Approximately 30 percent of Russia's natural gas is supplied to Europe and 50 percent of it is through Ukraine's gas pipeline. To prevent exploitation in times of crisis, the EU will need to

find ways and take concrete steps to decrease its dependency on Russia's natural gas.

Discussion

At the question and answer session, several issues were raised. A recent article in *Foreign Affairs* stated the United States' presence with NATO at the Russian border near Ukraine posed a threat to Russia. This caused Russia to be more vigorous as a means to deter. Cirincione disagreed with the writer's view. Instead, he stated that after the Cold War, the United States' foreign policies and military actions focused more on the Middle East and Asian region. Russia was no longer prioritised as a main threat to the United States' security. Hence any Russian feelings of being threatened by the United States are mainly paranoid views.

In playing its role as a superpower, what were the United States' priorities and concerns with reference to "bringing to justice" the perpetrators responsible for the downing of flight MH17 in Ukraine in July this year? Cirincione replied that the United States' major concern was to ensure that the process of bringing all the victims' bodies back to their respective homes was as fast as possible. The act of "bringing to justice" those responsible of this atrocious act should be left to the international bodies concerned. Though the United States may assist or contribute in terms of legal process, bodies



Participant posing a question

such as the International Court of Justice and the United Nations are better in handling this issue.

When asked on the possibility of Crimea returning to Ukraine and the United States role if this happens, Cirincione adopted a realistic approach. Crimea will not return to Ukraine after considering the Crimean sense of belonging to Russia. Dating back to 1954, Crimea was given to Ukraine by Nikita Khrushchev as a gesture under the Soviet Union. Strategically, Crimea is of no interest to the United States, Malaysia or any Asia Pacific states. Nonetheless, the annexation of Crimea by Russia is still not recognised by many countries. Regardless of the historical event of Russia-Crimea-Ukraine during the time of the Soviet Union, the process of gaining a territory should be peaceful and the initiatives should be taken by the Crimeans themselves and not by force. The annexation defeats the purpose of all the international laws established after World War II. He added that self-determination is vital and should not be undermined by anyone. He stated that there should be an establishment of an internationally verified and well-monitored referendum of self-determination.

... after the Cold War, the United States' foreign policies and military actions focused more on the Middle East and Asian region.

He said that the Russia-Ukraine conflict has created some economic insecurity among the EU countries. Though the instability in Ukraine will not have a direct impact on EU in general, the



A section of the participants

economic sanctions imposed on Russia by the United States and its allies could affect some EU countries in the long run. Russia is important as it exports almost 30 percent of oil and gas to other EU countries through Ukraine. Any sanctions could trigger retaliations, resulting in a complicated web of negative impacts on the world economy.

In concluding, Cirincione identified two schools of thought in the United States on the issue of applying economic sanctions on Russia. The first school of thought is that all the conflicts occurring now are not due to external factors but mainly internal. This can be seen in the case of Putin's approval rating. His popularity rose to 80 percent this year as he gained more approval from the Russians. It was the exact opposite last year when Russians demonstrated against Putin and his administration in Moscow. Hence according to this school of thought, the sanction imposed is the main key in bringing down Putin's agenda. Putin's statement on the collapse of Soviet Union during the Cold War as the greatest tragedy of the 20th century has also brought out another school of thought. It believes that Putin's aggressive actions have to be stopped and economic sanction is the only effective way to do it.

INSTITUTE OF STRATEGIC AND INTERNATIONAL STUDIES (ISIS) MALAYSIA

The Institute of Strategic and International Studies (ISIS) was established on 8 April 1983 as an autonomous, not-for-profit research organisation. ISIS Malaysia has a diverse research focus which includes economics, foreign policy, security studies, nation-building, social policy, technology, innovation and environmental studies. It also undertakes research collaboration with national and international organisations in important areas such as national development and international affairs.

ISIS Malaysia engages actively in Track Two diplomacy, and promotes the exchange of views and opinions at both the national and international levels. The Institute has also played a role in fostering closer regional integration and international cooperation through forums such as the Asia-Pacific Roundtable, the ASEAN Institutes of Strategic and International Studies (ASEAN-ISIS), the Pacific Economic Cooperation Council (PECC) and the Network of East Asian Think-Tanks (NEAT). ISIS is a founding member of the Council for Security Cooperation in the Asia-Pacific (CSCAP) and manages the Council's Secretariat.

As Malaysia's premier think-tank, ISIS has been at the forefront of some of the most significant nation-building initiatives in the nation's history. It was a contributor to the Vision 2020 concept and was consultant to the Knowledge-Based Economy Master Plan initiative.

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Published by

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