

Part II

4. Strengthened ASEAN Centrality and East Asia Collective Leadership

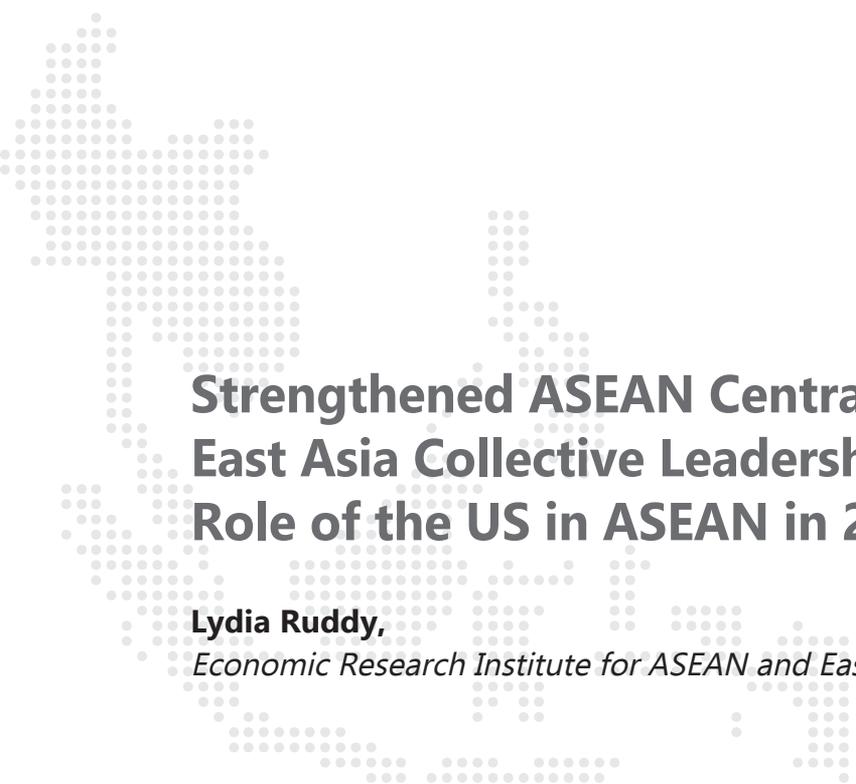
vii. Strengthened ASEAN Centrality and East Asia Collective Leadership: The Role of the US in ASEAN in 2040

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Strengthened ASEAN Centrality and East Asia Collective Leadership: The Role of the US in ASEAN in 2040

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'The Indo–Pacific Cooperation Concept puts emphasis on several principles, including cooperation, – instead of rivalry, inclusiveness, transparency and openness as well as respect for international law.'
President of Indonesia, Joko Widodo, 13th East Asia Summit, Singapore 2018

'The United States also seeks an open Indo–Pacific, where commerce and culture flow freely; where the seas and the skies are accessible to all with peaceful aims; where disputes are resolved without conflict or coercion; where nations trade with one another, gathering as much as they give; and where we embrace a future of endless possibility for all who call this region home.' Vice President of the United States, Mike Pence, APEC CEO Summit, Papua New Guinea, 16 November 2018

The decline of the US-led international order, although arguably having occurred since the end of the Cold War, is without doubt picking up momentum under President Trump. Pax Americana and the Bretton Woods institutions that form its bedrock are increasingly viewed with scepticism, even by the US President. Other countries are progressively taking more prominent roles on the global stage, especially China, with its economy about to surpass that of the US and the active promotion of its overseas development plan – the Belt and Road Initiative (BRI). Asian growth is already one of the main drivers of the world economy; many indicators suggest that, by 2040, Asian economies will have continued expanding, nearing 50% of the global economy (Asian Development Bank, 2011). At the same time, the US, while still relatively strong, will no longer be the largest economy in the world, as China is predicted to surpass US gross domestic product in the 2030s and India may do so soon thereafter, by 2050. The impacts of these global shifts will be felt everywhere, but particularly in Southeast Asia, which is increasingly having to find a balanced position between the two vying super-powers.

While these circumstances have the potential to create substantial instability in Asia (indeed globally), they also present an opportunity for the Association of Southeast Asian Nations (ASEAN) to take on a more global role as a stable and rules-based region that promotes sustainable development and regional integration and that serves as a neutral platform for dialogue between member states as well an impartial arbiter in conflicts between foreign powers. In a 2017 survey of more than 2,300 people representing all 10 countries in ASEAN, about 75% hoped for an ASEAN that is integrated, connected, resilient, and typified by good governance (Economic Research Institute for ASEAN and East Asia (ERIA), 2017). Each of these aspirations is in line with the US evolving orientation towards the Indo-Pacific. Now is the time for ASEAN leaders to 'move boldly', as Ambassador Bilahari Kausikan passionately argued in October 2018: 'Hedging against the long-term uncertainties and taking advantage of whatever opportunities may exist, requires ASEAN to move boldly on the second phase of economic integration which aims at creating a common market and common production platform in Southeast Asia' (Kausikan, 2018: 8).

ASEAN is ready to operate without US support, but prefers to remain engaged with its long-time partner by focusing on shared priorities that are mutually beneficial to both the US and ASEAN. These priorities create the basis for the role the US can play in ASEAN in 2040. This 'Vision 2040' for the role of the US in ASEAN includes three elements. First is the support for a free and open ASEAN with freedom of navigation in the South China Sea as an important global public good. Second, the deepening of the trade and investment relationships between the US and ASEAN. The third is the support for a new regional architecture that is based upon collective leadership in East Asia and ASEAN Centrality, with ASEAN serving as a safe forum for discussion, to maintain the balance of power in the region.

1. Security: The US Supports a Free and Open ASEAN

In 2040, ASEAN will continue to be of significant geopolitical importance to the US and it is in both parties' interests to ensure that the region remains stable and is increasingly guided by rule-based systems that advance all ASEAN Member States (AMS). For decades, the US has made significant contributions towards maintaining peace in the region, and both the US and AMS have benefited. In light of the remarkable growth of many Asian economies, the region is facing a rebalancing of powers. At the same time, it is clear that freedom of navigation in the region, and especially across the South China Sea, must be maintained as an important global asset. At the beginning of 2019, ASEAN is actively maintaining a neutral position between China and the US and at the same time ASEAN welcomes the continued military presence of the US as a strong supporter of the freedom of navigation.

The strength of the US–ASEAN relationship has arguably become even more important with the development of Trump's Free and Open Indo-Pacific Strategy (FOIPS), which the President first mentioned on the sidelines of the Asia–Pacific Economic Cooperation (APEC) meetings in Viet Nam in November of 2017. FOIPS initially met with a mixed response, mostly because there was no elaboration about what the strategy actually involved. In his May 2018 testimony before the US Senate Committee on Foreign Relations, Alex Wong, Deputy Assistant Secretary at the Bureau

of East Asian and Pacific Affairs, US Department of State, elaborated on the meaning of 'free' and 'open' in the context of FOIPS. He emphasised national sovereignty: '...we want the nations of the Indo-Pacific to be free from the coercion of outside power' (Wong, 2018). Wong went on to elaborate on the meaning of 'open' in the context of FOIPS including the importance of open sea lanes (Wong, 2018).

Wong's statements were reinforced by Secretary of State Michael Pompeo at the US-ASEAN Ministerial meeting in August 2018 when he announced a US\$300 million commitment for security cooperation in the region (Indo-Pacific). In his speech to the East Asia Summit (EAS) in November 2018, Vice President Pence stated that in 2018 the US had already spent more than half a billion dollars on security assistance to the Asia Pacific while commenting: 'Let me be clear: China's militarisation and territorial expansion in the South China Sea is illegal and dangerous. It threatens the sovereignty of many nations and endangers the prosperity of the world' (Pence, 2018). On 31 December 2018, the Asia Reassurance Initiative Act of 2018 (ARIA) became law in the United States, providing US\$1.5 billion for 5 years until 2023 to develop a 'long-term strategic vision and a comprehensive, multifaceted, and principled United States Policy for the Indo-Pacific.' (ARIA Title 1, Sec 101) This act emphasises security and rule of law for the whole region. Regarding ASEAN Security, it calls for addressing terrorism and maritime disputes and promotes the adoption of a Code of Conduct for the South China Sea.

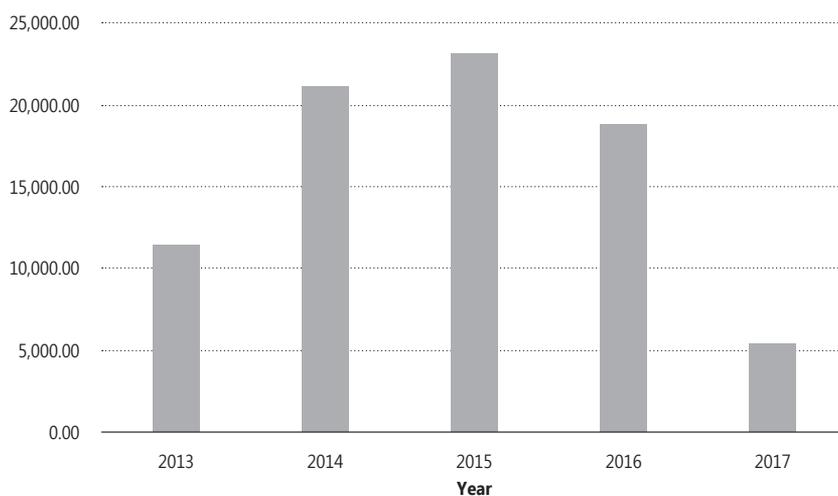
By 2040, ASEAN looks forward to continued US participation in several regional forums including the EAS, the ASEAN Regional Forum, and the ASEAN Defence Ministers' Meeting, amongst others. From the ASEAN perspective, it is important for the US to increase interoperability and move beyond simple military cooperation. The benefits of interoperability were recently highlighted by the cave rescue in Thailand where American military help arrived within 24 hours. This is because the US and Thai government have a high degree of interoperability which might serve as an example for the region as a whole.

Ultimately, ASEAN’s goal, which is in line with apparent US interests, is to maintain a balance of powers in the region while ensuring freedom of navigation and stability between and within all AMS.

2. The US is Invested in ASEAN and Two-way Trade Continues to Grow

The US and ASEAN have mutually benefitted from a strong economic partnership in terms of both investment and trade relations for several decades. ASEAN is the biggest destination for US investment in Asia. In fact, in 2017 AMS received more than three times the amount invested in China, and the US receives more investment from ASEAN than from China and India combined (US–ASEAN Business Council, 2017).

Figure 1: US Investment in ASEAN (US\$ million)



ASEAN = Association of Southeast Asian Nations, US = United States.

Source: Data from ASEANstats Data Portal, Flows of Inward Foreign Direct Investment (FDI) by Host Country and Source Country (in million US\$). <https://data.aseanstats.org/fdi-by-hosts-and-sources> (8 July 2018).

According to a US Chamber of Commerce survey, US CEOs are very optimistic about the future of ASEAN and are very supportive of the ASEAN Economic Community; 93% believe the ASEAN Economic Community is important for their future investment plans. According to Vice President Pence, speaking at the EAS in November 2018, US businesses have invested more than US\$1.4 trillion across the Indo-Pacific while upholding the 'highest standards of quality and respect for your sovereignty' (Pence, 2018).

To promote economic engagement with the region, in 2016 the US launched US–ASEAN Connect to provide strategic focus to ongoing and future US economic activities in the region. In the same year, the US and ASEAN ministers signed the ASEAN–US Cooperation in Fostering Transparency and Good Regulatory Practices with the intent of ensuring ASEAN's increasing attractiveness as an investment destination for years to come.

While the projected growth in ASEAN over the next 20 plus years remains high compared with other regions of the world, governance issues will continue to hinder potential US investment if they are not addressed. Transparency and good regulatory practice are thus priorities in order to achieve continuous US investment in the region, and the US should continue to support initiatives that advance these priorities. Both the public and private sectors will be engaged; the public sector mostly through diplomatic and developmental activities and the private sector through investment and trade.

(a) US Investment Grows in Key Sectors: Infrastructure, Manufacturing, Digital, Energy, and Finance

As AMS economies continue to advance to higher stages of development, ASEAN would like to see US investment diversify from the extractive industries to include more manufacturing, infrastructure, digital economy, energy, and finance. In July 2018, Pompeo announced US\$113 million in allocations to 'support foundational areas of the future' in the Indo-Pacific for digital, energy, and infrastructure initiatives (US Department of State, 2018). While this amount may be a bit 'underwhelming' (Daniel

Russel, quoted in Wroughton and Brunnstrom, 2018), it does provide insight into the priority areas for US investment for the overall region, ASEAN included. Pompeo explained that this amount is just a 'down payment' (Wroughton and Psaledakis, 2018) and that the initiatives were meant to spur increased investment from the private sector. Thus, the US\$113 million is anticipated to leverage substantial additional funds in these three sectors.

In fact, US development assistance has undergone a massive overhaul – emphasising the promotion of US private sector investments in developing countries, thus reducing the need for foreign aid. The Better Utilization of Investments Leading to Development (BUILD) Act was signed into law in October 2018, creating the US International Development Finance Corporation (USIDFC) with US\$60 billion of funding to provide loans, grants, and guarantees to US companies that want to invest in developing countries, thus offering a huge potential boost to private investment. The USIDFC even has the right to make equity investments itself.

Ideally, the USIDFC will also support capacity building initiatives that will enable policymakers in the region to enhance national investment climates through addressing governance issues, especially good regulatory practice and harmonisation of rules. The long-term potential for substantial US private investment in ASEAN that could result under this program needs to be taken seriously. Policymakers and the private sector in the US and ASEAN need to work together closely to operationalise this new approach, through public–private partnerships, finance, and training, so that by 2040 current obstacles to investment have been minimised or eliminated.

(b) Trade between ASEAN and the US Remains Strong

Trade between the US and ASEAN is robust and can continue to be strong in 2040. In 2016, ASEAN represented the fourth largest trading partner for the US, with US\$234 billion of trade in goods. In 2015, the US exported more than US\$100 billion worth of goods and services to ASEAN while ASEAN exported just under US\$130 billion to the US

(ASEAN, 2016). ASEAN's large population (639 million in 2016) makes it the third largest market in the world and twice the size of the US (ASEAN UP, 2018). The total gross domestic product of ASEAN reached US\$2.555 trillion in 2016, making it the fifth largest economy after Japan, China, the European Union, and the US. Growth is relatively strong, at 5.1% from 2007 to 2016 (ASEAN, 2017: 43), and is expected to average more than 5% for the decades up to 2050 – thus outpacing Japan and the European Union to become the fourth largest economy in the world after China, India, and the US.

Currently, trade relations follow the ASEAN–US Trade and Investment Framework Arrangement, which serves as a key mechanism to strengthen economic ties between ASEAN and the US, especially in the areas of (i) trade facilitation, (ii) small and medium-sized enterprises development, and (iii) harmonisation of standards. One of ASEAN's priorities from now until 2040 is the promotion of inclusivity, which, in addition to the above three issues, would benefit from improved good regulatory practice, monitoring of non-tariff measures, and expansion of connectivity – all areas where the US can engage as a strong partner.

ASEAN intends to maintain its relative neutrality between China and the United States as the two economic powers search for a new economic equilibrium. Indeed, as stated above, this new dynamic can serve as the impetus for strengthening ASEAN 'centrality'. What is important in terms of the trade relations between ASEAN and the US is that both markets remain open to one another.

3. US and ASEAN in a new international order

'We recognise and support ASEAN Centrality and ASEAN-led mechanisms in the evolving regional architecture. ASEAN and the United States adhere to the rules-based international order that upholds fundamental principles, shared values and norms, and protects the sovereign rights of all States' (US Mission to ASEAN, 2017).

Looking ahead to 2040, ASEAN could be a people-centred region where the benefits of sustainable and inclusive growth are more evenly distributed and the impacts of Industry 4.0 are managed in a manner that optimises equitable development. Stability in the region will become even more important as the global economy becomes more dependent on Asia. Collective leadership is key to maintaining this stability, and ASEAN centrality is at the heart of this collective leadership. Both ASEAN and the US increasingly recognise ASEAN's key role and ASEAN centrality with it. ARIA 2018 states: the 'United States should ... recommit to ASEAN centrality by helping build a strong, stable, politically cohesive, economically integrated, and socially responsible community of nations that has common rules, norms, procedures, and standards which are consistent with international law and the principles of a rules-based Indo-Pacific Community.' (ARIA 2018 Title II, Sec 205 (a) (2)) As the resistance to globalisation continues, ASEAN is starting to ask hard questions about its role in the Indo-Pacific, and even its role on the global stage. In 2019 we expect to see a finalisation of ASEAN's vision of the Indo-Pacific, which will address the former. As a neutral arbiter within the Indo-Pacific, where competition can be rife – sometimes to the point of conflict – ASEAN provides Asia with a safe forum for discussion. That the Trump–Kim meeting was hosted by an AMS in 2018 is the most recent example of the growing importance of this global role.

Underlying the continued good relations between the US and ASEAN is the need for mutual understanding. The US Young Southeast Asian Leaders Initiative (YSEALI) launched in 2013, is the US programme to foster exchange between the US and ASEAN in a manner that builds leadership ability of the youth in Southeast Asia. Increasing commitment to soft power programs like YSEALI would help ensure that the US and ASEAN maintain a strong ties despite the changing global order.

Conclusion

Given the current tensions arising from the China and the US trade war, globalists versus nationalists, and rapid changes in technology – the future cannot be predicted with much preciseness. However, the strong economic ties and a shared belief in a rules-based order that encourages a balance of power in the region, underlies the desire for continuing

strong associations between ASEAN and the US. Key to maintaining this balance is the strengthening of ASEAN centrality while at the same time finding solutions to the challenges that benefit both the nations and the peoples involved.

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