The U.S. Indo-Pacific Strategy and Its Implications for U.S.-ASEAN Economic Governance Architecture

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During his visit to Asia in November 2017, President Donald Trump announced his vision of a "Free and Open Indo-Pacific" as the U.S. approach to the region. The Department of State unveiled in detail the economic elements of the Indo-Pacific strategy in April 2018. These economic policies were reiterated by Vice President Mike Pence at the Asia-Pacific Economic Cooperation (APEC) CEO Summit in Papua New Guinea in November 2018. For instance, Pence maintained that Washington plans to "make bilateral trade agreements with any Indo-Pacific nation that wants to be our partner and that will abide by the principles of fair and reciprocal trade," promote private sector investment, and assist regional states on sustainable infrastructure development.[1] On December 31, Trump signed into law the Asia Reassurance Initiative Act (ARIA) passed by the U.S. Congress earlier that month. ARIA further advances the strategy by mandating the executive branch to "develop a long-term strategic vision and a comprehensive, multifaceted, and principled United States policy for the Indo-Pacific region."[2] Moreover, the text authorizes $1.5 billion to "the Department of State, United States Agency for International Development [USAID], and, as appropriate, the Department of Defense . . . for each of the fiscal years 2019 through 2023, which shall be used" to achieve several objectives including ensuring "the regulatory environments for trade, infrastructure, and investment in partner countries are transparent, open, and free of corruption."[3]

Against this backdrop, this chapter examines the effects of the U.S. Indo-Pacific strategy on the future of U.S.-ASEAN economic governance architecture. "Strategy" refers to "the collection of plans and policies that comprise the state's deliberate effort to harness political, military, diplomatic, and economic tools together to advance that state's national interest."[4] Such a study is warranted for a few reasons. First, the jury is still out on the degree to which this strategy would align or clash with different approaches and policies supported by Southeast Asian governments. Clashes of ideas and policies can result in not only failed implementation of the U.S. strategy but also competing economic initiatives which could undermine the future of U.S.-ASEAN trade and investment ties. Therefore, this research is aimed at: 1) assessing how the U.S. Indo-Pacific strategy would interact with Southeast Asian nations' policies to shape the future development of regional economic architectures, and 2) forging policy recommendations for the U.S. and ASEAN governments on how they could jointly pursue regional economic institution-building. The questions I explore include: 1) What are the economic components of the U.S. Indo-Pacific strategy? 2) How will this strategy and Southeast Asian countries' economic agendas/policies interact to shape the future advancement of regional economic architecture? and 3) What should American and ASEAN governments do to foster cooperation and lessen conflict among their different policies regarding economic regionalism?

The chapter is organized as follows. The next part discusses the economic components of the Indo-Pacific strategy under the Trump administration. The second section examines the interactions between this strategy and the economic agendas of the Association of Southeast Asian Nations (ASEAN) to highlight the areas of complementarities and clashes. The last section provides policy recommendations for American and Southeast Asian governments to augment synergies and ameliorate clashes among their policies.

The Economic Components of the Trump Administration's Indo-Pacific Strategy

Before discussing the economic elements of the U.S. Indo-Pacific strategy, it is worth noting that the Indo-Pacific as a concept of strategic thinking is not new. Coined by Gurpreet Khurana in his 2007 article titled "Security of Sea Lines: Prospects for India-Japan Cooperation" in *Strategic Analyses*, the notion refers to two strategic and political zones covering two oceans— the Indian and the Pacific. U.S. policymakers have long adopted this concept, e.g., the Department of Defense Indo-Pacific Command (previously the Pacific Command until the unit was renamed in May 2018), has been deployed across two oceans and viewed them as one geostrategic space. Moreover, the regional states have embraced the notions of "free" and "open" as seen in the spirit of APEC, a regional grouping in which the U.S. participates. At the 1994 APEC Leaders' Summit in Bogor, Indonesia, the members endorsed "the long-term goal of free and open trade and investment in the Asia-Pacific [which] will be pursued promptly by further reducing barriers to trade and investment and by promoting the free flow of goods, services and capital among [the] economies."[5] In addition, the Obama administration operationalized the concept by making India "a major pillar" of its Asia policy. This led to upgrading in 2015 the U.S.-India annual strategic dialogue to a strategic and commercial one as a platform to discuss bilateral relations at the highest political level.[6]

While Washington has leaned on the term "Indo-Pacific" to conceptualize the region and devise its foreign policies, the adoption of this term by the Trump administration differed in the following aspects. First, it was the first time that this idea appeared in national-level documents such as the 2017 National Security Strategy (NSS). Also, the Indo-Pacific strategy was cast on the assumptions that China is a revisionist state and Washington and Beijing are under conditions of a power contestation.[7] As the 2018 National Defense Strategy maintains, "China is leveraging military modernization, influence operations, and predatory economics to coerce neighboring countries to reorder the Indo-Pacific region to their advantage."[8] Also, the NSS stresses that "China seeks to displace the United States in the Indo-Pacific region, expand the reaches of its state-driven economic model, and reorder the region in its favor."[9]

The Trump administration's Indo-Pacific strategy rests on two modifiers: "free" and "open." The word "free" refers to freedom from coercion by other states, embracing the concepts of sovereignty, rules-based order, and dispute settlement. "Open" means open commons (in land, sea, air and cyber realms), open logistics (i.e. connectivity driving regional integration), open investment (i.e. investment enabling market economics to function), and open trade (i.e. free, fair, and reciprocal trade).

Economics play a key part in this strategy. Compared to previous administrations, the Trump cabinet focuses more on economic matters.[10] According to the 2017 NSS, "economic security is the U.S. national security."[11] Not only are economics vital to U.S. national security at home, they also enable the state to project its power in the international system. As reflected in Trump's remarks in December 2017, "[e]conomic vitality, growth and prosperity at home is absolutely necessary for American power and influence abroad."[12] In other words, the strong and prosperous U.S. economy can furnish Washington with resources which can be invested to augment its military capabilities and ability to project its clout internationally. Consequently, the state would tailor its "approaches to different regions of the world to protect U.S. national interests."[13]

The economic components of the U.S. Indo-Pacific strategy cover trade, investment, and infrastructure/connectivity.[14] Regarding trade, the administration strives to promote "free, fair, and reciprocal" trade by lowering barriers. It views the principles of "fairness" and "reciprocity" as a foundation for commercial openness and upholding of a contract. Also, the word "fair" is largely defined in terms of the trade balance because Washington wants to redress its trade deficit with regional economies partially caused by the latter's tariffs and non-tariff barriers.[15] In terms of how to achieve free, fair, and reciprocal trade, the administration plans to negotiate better international deals and to reform the multilateral trading system.[16] Washington has so far amended the terms of some existing free trade agreements (FTAs) to make them more favorable for its workers and firms. The United States-Mexico-Canada Agreement (USMCA) (previously known as the North America Free Trade Agreement (NAFTA)) and revised Korea-U.S. FTA (KORUS) are recent examples. While the U.S. pulled out of the Trans-Pacific Partnership (TPP) in January 2017, the administration said it "will continue efforts to build stronger, better, and fairer trading relationships" with TPP signatories which do not have a bilateral trade contract with the country.[17] Concerning the reform of the multilateral trading system, Trump expressed his willingness to work with like-minded economies to build a global trade system to increase the living standards of Americans.

On investment, the Trump cabinet aims at augmenting free and open investment via improving the investment climate, raising private sector participation, and ensuring that investment fosters entrepreneurship and innovation. Doing so will not only boost U.S.-ASEAN investment and trade but will also bring about prosperity for all involved. According to Deputy Assistant Secretary Alex Wong, Washington will support "more open investment environments, more transparent regulatory structures . . . so that the region is not only open to more U.S. foreign direct investment, but that indigenous populations, indigenous innovators, indigenous entrepreneurs can take advantage of the investment environments to drive economic growth throughout the region."[18]

On infrastructure/connectivity, Washington aspires to promote good governance, high-quality infrastructure, best-value or cost-effective, and sustainable infrastructure development.[19] The administration plans to achieve these elements by: supporting multilateral financing institutions such as the World Bank and Asian Development Bank, reforming its development finance institutions, and enhancing partnerships with other states and institutions to identify, fund, and implement fiscally-sound projects.[20] Regarding the reform, Trump signed into law on October 5, 2018 the Better Utilization of Investments Leading to Development Act (or BUILD Act), which earlier enjoyed bipartisan support in both chambers. The act was purposed to consolidate U.S. development financial entities to boost the capacity of the state's infrastructure assistance in the Indo-Pacific. For instance, it will create the United States International Development Finance Corporation (IDFC), which will subsume "the activities of the Overseas Private Investment Corporation (OPIC), USAID's Development Credit Authority, USAID's Enterprise Funds, and USAID's Office of Private

Capital and Microenterprise."[21] Moreover, this new mechanism will be granted "the ability to make equity investment, a doubling of the contingent liability ceiling to $60 billion, and an extended operating authority."[22] In short, the entity's investment cap is set at $60 billion, which is more than double OPIC's current cap of $29 billion. It is slated to function by the end of 2019.

In addition, Washington has been cooperating with other states on regional infrastructure building. For example, one objective of the "QUAD" (Australia, India, Japan, and the U.S.) is to fund connectivity projects that are properly designed and financially sustainable.[23] The grouping is pondering ways to set up financing schemes to meet Indo-Pacific connectivity demands.[24] Also, Washington, Tokyo, and Canberra, in July 2018 signed an arrangement to mobilize and support private sector investment in regional energy, transportation, tourism, and technology sectors.[25] On November 12, 2018, U.S. OPIC, Australia's Department of Foreign Affairs and Trade, Australia's Export Finance and Insurance Corp., and Japan's Bank for International Cooperation endorsed an MoU to operationalize this trilateral partnership.[26]

Washington's approach to connectivity is a response to China's use of economic tools to achieve its foreign policy objectives via Belt and Road Initiative (BRI), which now has 57 members accounting for more than 30% of world GDP and 62 percent of its population.[27] Beijing "is using economic inducements and penalties . . . to persuade other states to heed its political and security agenda. China's infrastructure investments and trade strategies reinforce its geopolitical aspirations."[28] Specific to ASEAN, the 2017 U.S.-China Economic and Security Review Commission's Report reveals that Beijing has gained geopolitical advantage in mainland Southeast Asian countries via its connectivity schemes and "Chinese dams on the Mekong River threaten the food security of 60 million people, creating significant stability risks."[29] Therefore, the U.S. wants to offer an infrastructure alternative to regional economies.[30] Trump, at the 2017 APEC CEO Summit, posited that Washington's effort will "better incentivize private sector investment in your economies, and provide strong alternatives to state-directed initiatives that come with many strings attached."[31] Pence, at the 2018 APEC CEO Summit, reaffirmed that Washington's approach is "a better option. We don't drown our partners in a sea of debt. We don't coerce or compromise your independence. The United States deals openly, fairly. We do not offer a constricting belt or a one-way road."[32]

Interactions Between Trump's Indo-Pacific Strategy and ASEAN's Economic Policies and Their Effects on U.S.-ASEAN Economic Governance

The interactions between the Trump administration's Indo-Pacific strategy and agendas promoted by Southeast Asian nations differ by issue area. In terms of trade, Washington's policies clash with those upheld by several ASEAN states. While the former tends to rely on trade bilateralism to advance regional trade governance, the latter opt for multilateral means. Illustratively, Trump insisted at the 2017 APEC CEO Summit that Washington will "make bilateral trade arrangements with any Indo-Pacific nation that wants to be our partner and that will abide by the principles of fair and reciprocal trade."[33]

In contrast, ASEAN members tend to prefer trade multilateralism to advance regional architecture, as revealed by the 2017 Pew Research Center's survey showing that 45%, 72%, and 61% of Indonesian, Filipino, and Vietnamese respondents, respectively, disapproved of Washington's pull-out from TPP.[34] Some Southeast Asian diplomats doubt the U.S. ability to design other high-quality rules on a par with TPP, encompassing multiple stakeholders and issues.[35] To regional states, bilateral trade negotiations give bigger economies the upper hand, enabling them to shape the outcome in their favor. Such views were confirmed as policymakers watched how the KORUS renegotiation unfolded. Seoul was forced to make concessions such as extending the 25% U.S. tariffs on the former's trucks to 2041, measures initially to be phased out by 2021.[36] One-on-one talks are likely to allow Washington to arm-twist smaller economies to accept contract terms more favorable to itself. As a result, ASEAN nations are not keen to negotiate bilateral deals with the U.S., putting their countries at a disadvantage.[37]

Why do ASEAN nations prefer multilateral contracts? First, their economies are intertwined in transnational production networks. In 2017, 28.57% of total exports of all ASEAN states were intermediate goods.[38] This is a major reason behind the ASEAN Economic Community 2025 (AEC 2025), an economic integration project purposed to accomplish: "(1) a highly integrated and cohesive economy; (2) a competitive, innovative, and dynamic ASEAN; (3) enhanced connectivity and sectoral cooperation; (4) a resilient, inclusive, people-oriented, and (5) people-centered ASEAN; and a global ASEAN."[39]

The second factor is the future of the region's rising middle class, defined as households with per capita incomes between $10 and $100 per person per day in 2005 in terms of purchasing power parity.[40] This group is projected to grow more than 50% from 135 million (24% of ASEAN's population) in 2015 to 334 million (51% of the population) in 2030.[41] Such a rising middle class will increase opportunities for firms to provide more sophisticated or tailored products or services (e.g. customized healthcare, tourism), and give an additional impetus for ASEAN members to deepen economic integration.

Finally, China's structural reforms and middle class are likely to have positive effects on the region. Thanks to Xi Jinping's commitment to transform the country into a consumption-driven and services-driven economy over the next decade,[42] Southeast Asian states are enjoying a windfall from Beijing's move. For one thing, the number of Chinese tourist arrivals in the region quadrupled in the past ten years.[43] By 2035, 750 million individuals will enter the middle class, resulting in 100 million Chinese visitors to the region.[44]

ASEAN members' appetite for multilateral trade deals is evident in the two mega-trade blocs—the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) and Regional Comprehensive Economic Partnership (RCEP). CPTPP is Trans-Pacific Partnership (TPP) minus Washington. This 11-member arrangement is aimed at liberalizing trade and investment in several realms, such as technical barriers to trade, sanitary and phyto-sanitary measures, and state-owned enterprises. Negotiations were concluded in January 2018, and the pact entered into force on December 30, 2018. CPTPP economies make up a market of 495 million people with a combined GDP of $13.5 trillion.[45] At the time of this writing, four ASEAN nations (Brunei, Malaysia, Singapore, and Vietnam), are among the participants. Regarding RCEP, it is an FTA under negotiation since 2013 among all ASEAN members and six dialogue partners—Australia, China, India, Japan, New Zealand, and South

Korea. This deal attempts to consolidate the existing ASEAN+1 FTAs into a single contract. The deal is slated to be sealed by the end of 2019.[46] If concluded, RCEP will cover 46% of the global population and 24% of the world's GDP.[47]

Going forward, trade policies championed by the U.S. and ASEAN countries are likely to bifurcate. The Trump administration is likely to continue using the trade balance to define "fair" in its pursuit of "free, fair, and reciprocal" trade. Because the U.S. has a $92 billion goods trade deficit with ASEAN economies collectively,[48] there exists little room for Southeast Asian parties, especially those running a trade surplus with Washington, to strike deals satisfying all involved. Also, the Trump cabinet will likely favor bilateral contracts while ASEAN states strive for multilateral ones. According to the 2019 survey of 1,008 Southeast Asian experts and stakeholders in policy, research, business, and civil society communities, conducted by the Institute of Southeast Asian Studies (ISEAS), more than one-third were positive towards CPTPP. In addition, 39.1%, 38.1% and 33.6% of Cambodian, Filipino, and Thai respondents, respectively, advocated for their countries joining the pact.[49] This mega-trade arrangement is likely to expand. The CPTPP parties, in January 2019, stressed that the pact "is open to all economies which accept these principles and are willing to meet the high standards of the agreement and confirmed their strong determination to expand the agreement through the accession of those new economies."[50] At the time of this writing, several economies, including Indonesia, the Philippines, and Thailand, have expressed their desire to join.[51]

Regarding RCEP, critics argue that the deal in its current form is not as ambitious as TPP.[52] Therefore, it may not yield great economic gains to the region. However, one should note that this arrangement's quality can in the future be improved if its signatories agree to incorporate a "consulting mechanism" allowing RCEP to have a regulatory framework upgrade. In this way, its long-term value can rise. To sum up, the U.S. and Southeast Asian countries' trade agendas are running in the opposite direction with little prospect of policy convergence. This sets no clear direction concerning how U.S.-ASEAN trade governance will unfold.

As far as investment is concerned, while there has yet been no concrete program from the Trump administration, it can be argued that its Indo-Pacific policy direction is likely to complement ASEAN's agenda and boost U.S.-ASEAN investment ties and governance. It is mainly because these governments, in August 2016, endorsed the documents under the Expanded Economic Engagement (E3), which strives to deepen trade and investment ties and provide new business and job opportunities for U.S. and Southeast Asian economies.[53] The texts were U.S.-ASEAN Cooperation in Fostering International Investment, and U.S.-ASEAN Cooperation in Fostering Transparency and Good Governance.[54] This indicates their shared understanding of best practices in these areas. Moreover, ASEAN rules have been altered to better attract extra-regional FDI. In 2009, the ASEAN Economic Ministers adopted the ASEAN Comprehensive Investment Agreement (ACIA), aimed at creating "a liberal, facilitative, transparent and competitive investment environment in ASEAN."[55] This scheme, enacted since 2012, allows non-ASEAN parties, including a U.S. enterprise, to reap benefits if it fulfils certain conditions such as owning or controlling the ASEAN legal entities, and conducting substantial business operations in the ASEAN economy in which it was first set up.[56] Washington's policies regarding investment can result in a higher number of U.S. enterprises establishing operations in the region, heightening investment in Southeast Asia.

These positive prospects notwithstanding, ASEAN members are increasingly concerned about the effects of certain Washington regulations on U.S.-ASEAN investment governance. The action by the Committee on Foreign Investment in the United States (CFIUS) in March 2018 is a case in point. CFIUS, an inter-agency committee tasked to investigate international transactions that can lead to foreign takeovers of American corporations and assess their impacts on U.S. national security, blocked the acquisition of U.S chipmaker Qualcomm by Singapore's Broadcom.[57] While not directly referring to Beijing, CFIUS' letter to the companies postulated some risks associated with Broadcom's ties with third-party foreign entities.[58] Also, the committee has recently been empowered. Trump signed into law in August 2018, the Foreign Investment Risk Review Modernization Act (FIRRMA) earlier passed by the Congress in June 2018.[59] FIRRMA permits the mechanism to become more vigilant in stopping future foreign acquisitions of sensitive American technological innovations.

Moreover, a pilot program was launched on November 10, 2018, in which CFIUS reviews particular foreign investments in the U.S. private sector in 27 industries ranging from aviation to telecommunication. The program requires that investments that grant foreign investors "access to non-public information or afford power to nominate a board member or make other substantial decisions" to be under the agency's purview. CFIUS will then determine whether to approve the transaction within 30 days, or to open a full investigation.[60] Additionally, some questions remain to be answered, namely whether the committee's increased activism would lead it to investigate and decide on U.S. outbound investments to Southeast Asia and inbound "investments where a foreign company would not necessarily gain control of a U.S. firm . . . [as in] . . . joint ventures between U.S. and foreign companies, minority stake investments and transactions near military bases or U.S. government facilities."[61] These developments have raised uncertainties about the future of U.S.-ASEAN investment governance and relations. Strengthened CFIUS power and rules could potentially alter future takeovers of American businesses by Southeast Asian capitalists and cross-border investments among economies. In conclusion, although U.S. and ASEAN governments' approaches fostering regional investment are likely to synergize with one another, CFIUS empowerment has resulted in stricter regulations on transnational investment, causing Southeast Asian countries to worry about their implications for future investment governance.

In the realm of connectivity/infrastructure, the U.S. and Indo-Pacific nations' agendas are complementary. Washington's programs can alleviate the region's infrastructure financing gap. According to the Asian Development Bank, Southeast Asia will need $2.759 trillion from 2016 to 2030 to fund its connectivity projects, or $184 billion annually. However, the ASEAN Infrastructure Fund, the organization's key mechanism financing connectivity projects, can supply about $485 million.[62] Such a financing deficit would slow progress for transnational connectivity projects, including the Trans-ASEAN Gas Pipeline and the ASEAN Power Grid.[63]

Also, the Trump administration's Indo-Pacific strategy will likely support the Master Plan for ASEAN Connectivity 2025 (MPAC 2025), hence improving U.S.-ASEAN infrastructure governance. Launched in 2016, MPAC 2025 envisages "a seamlessly and comprehensively connected and integrated ASEAN that will promote competitiveness, inclusiveness, and a greater sense of Community"[64] with a focus on five aspects: sustainable infrastructure, digital innovation, seamless logistics, regulatory excellence, and people mobility. This initiative rests on the principle of "open regionalism," an outward-looking and liberal modality to regional economic integration. In other words, it seeks to embrace extra-regional players in order to expand the networks of collaboration,[65] as revealed by Latsamy Keomany, the first chair of the ASEAN Coordinating Committee on Connectivity, the entity tasked by ASEAN to oversee MPAC 2025 implementation. At the Consultation on ASEAN Connectivity with Dialogue Partners in Vientiane, Laos in October 2016, Keomany stressed that the program "will require partnerships with our Dialogue Partners and other external partners for effective implementation. We need an inclusive process that helps in defining the needs of ASEAN and the opportunities for our peoples and partners."[66] Additionally, at the 51st ASEAN Foreign Ministers' Meeting in Singapore, in November 2018, all members acknowledged the importance of working with "Dialogue Partners, external parties and international institutions, as well as other relevant stakeholders, to support the implementation of MPAC 2025 and other ASEAN Connectivity initiatives."[67]

U.S. connectivity assistance gives ASEAN countries additional options, allowing them to conduct power balancing between Washington and Beijing.[68] Regional states' strategic calculations were mainly triggered by increased concern over Beijing's debt trap diplomacy undermining other nations' sovereignty. This angst was intensified when they heard the stories of Sri Lanka and Laos. The Sri Lanka government, in late 2017, decided to lease to Beijing its Hambantota Port financed by Chinese loans, as it could no longer repay its debts. As a result, Merchants Port Holdings, a Chinese state-owned enterprise, is now operating the facility.[69] In Laos, the Kunming-Vientiane Railway has drawn criticism about debt sustainability. This project costs Laos about $6.7 billion (about half of its 2016 GDP of $13.7 billion).[70] Additionally, the contract enabled Beijing to expropriate Laos' land for 50 meters on each side of the track. Such incidents heightened the probability of sovereignty compromise when regional states participate in BRI.[71] As shown in the ISEAS survey, 47% of Southeast Asian stakeholders thought that the scheme "will bring ASEAN member states closer into China's orbit."[72] 70% of the individuals from ASEAN states having BRI programs or striking such deals with Beijing, want their policymakers to "be cautious in negotiating BRI projects, to avoid getting into unsustainable financial debts with China."[73] In addition, the fact China and Japan, in March 2019, agreed to launch talks about their infrastructure collaboration in third countries has not lessened regional states' suspicion over BRI. Because such Sino-Japanese cooperation is at its initial stage, ASEAN governments decided to adopt a wait-and-see approach. They are keen to receive U.S. assistance to widen the range of programs to choose from, allowing them to move away from China's sphere of influence and balance between the U.S.

High synergies between U.S. and ASEAN policies partially explain the Trump administration's headway in regional connectivity collaboration. For example, Secretary of State Mike Pompeo, at the U.S.-ASEAN Foreign Ministers' Meeting in Singapore, in August 2018, announced that $113 million would be allocated as a "down payment" to finance new U.S. initiatives to bolster digital economy, energy, and infrastructure in the Indo-Pacific. This included $10 million allocated to fund programs under the U.S.-ASEAN Connect. Established in 2016, this initiative aspires to enhance Washington's economic engagement with ASEAN in four aspects: business, energy, innovation, and policy.[74] Also, the U.S.-ASEAN Summit, in November 2018, launched the U.S.-ASEAN Smart Cities Partnership to bolster the region's digital economies.[75] According to Pence, this "will spur renewed American investment in the region's digital infrastructure, advancing prosperity and security in Southeast Asia."[76]

Washington is crafting a successor program after the five-year ASEAN Connectivity through Trade and Investment (ACTI) ended in 2018. ACTI has augmented Southeast Asian infrastructure construction, namely the ASEAN Single Window (ASW), sustainable energy, and Information Communication Technology (ICT).[77] Overall, U.S. infrastructure policies will likely continue to jive well with ASEAN's ones, not only by reducing financing gaps, but also by providing the alternatives to choose from, enabling states to manage great power dynamics. Such synergies could lead to enhanced U.S.-ASEAN connectivity governance in the future.

Policy Recommendations

While the Trump administration's Indo-Pacific strategy and ASEAN's economic policies clash in trade while being complementary in investment and connectivity, there is room to improve U.S.-ASEAN economic governance. Both sides should do the following to better augment their collaboration on trade, investment, and infrastructure/connectivity.

Prioritize Cooperation on Investment and Infrastructure over Trade

Agendas to advance international trade will likely continue to diverge, as one side insists on bilateralism while the other seeks multilateral means. Also, the U.S. emphasis on bettering its trade balance with its trading partners will tend to complicate negotiations of new deals. The prospect of Washington returning to (CP)TPP is slim. The sentiment on Capitol Hill has turned against it, as some chastised provisions, especially labor standards and environmental protection, arguing that these elements could render American businesses and workers worse off. As a result, Congress demanded these components be adequately resolved before the country rejoins the bloc.[78] U.S. and ASEAN policymakers should prioritize deepening cooperation in investment and infrastructure where is no obvious policy clash.

Investment Cooperation

U.S. and Southeast Asian authorities should advance the existing U.S.-ASEAN Cooperation in Fostering International Investment and U.S.-ASEAN Cooperation in Fostering Transparency and Good Governance under the E3 scheme. Both sides should roll out concrete projects boosting transparency in cross-border investment, encouraging the involvement of the private sector, and ensuring that investment can encourage innovation and entrepreneurship. They should push forward the U.S.-ASEAN Trade and Investment Framework Agreement (U.S.-ASEAN TIFA) launched in 2006, which sets strategic frameworks and principles for trade and investment dialogue between Washington and other signatories. For instance, they should explore ways to harmonize different cross-border investment rules or improve the inter-operationality of different investment regulations under this framework. Doing so can help facilitate the transnational movements of funds investment among their economies.

Infrastructure/Connectivity Collaboration

The Trump administration should immediately implement the BUILD Act. At the time of this writing, the cabinet is preparing to submit to Congress a reorganization plan. Also, because a new IDFC will consolidate the activities of several U.S. development finance entities, Washington should implement plans to coordinate among their related agencies, increasing its ability to effectively develop finance instruments and to pursue U.S.-ASEAN cooperation on connectivity. Furthermore, because most connectivity projects are too large to be bankrolled by a single government or firm, U.S. and Southeast Asian officials should craft rules to facilitate joint ventures and private-public partnerships in regional infrastructure building.

It is laudable that USAID previously trained Southeast Asian policymakers on how to develop digital customs clearance systems, which contributes to a successful launch of ASEAN Single Window (ASW). ASW links the national windows of ASEAN economies to allow electronic data submissions for cargo clearance, hence curbing the cost of doing transnational businesses. On January 1, 2018, ASW went live, but only for five ASEAN members (Indonesia, Malaysia, Singapore, Thailand, and Vietnam). The U.S. could assist the remaining ASEAN countries in digitalizing their customs clearance, which would lead to the full operation of ASW. The next step would be to jointly create an e-platform expediting cargo clearance with the U.S. too.

Both sides should cooperate on building connectivity supporting e-commerce. As of January 2018, the region's Internet penetration rate, social media penetration, and mobile connectivity stood at 58%, 55%, and 141%, respectively.[79] Nevertheless, e-commerce represented about 3% of total retail transactions.[80] The American private sector plays a crucial role in building such infrastructure. Conglomerates such as Amazon, Apple, eBay, and Google have already supplied e-services and information technologies to regional economies.[81] Thus, U.S. and Southeast Asian governments should increase the participation of private enterprises to help develop e-connectivity. Given projects already carried out by their business communities, policymakers should help the firms to identify bankable projects in the region.

Additionally, U.S. and Southeast Asian officials should enhance cooperation on cybersecurity, as it has both security and economic implications. Enhanced online security ensures the privacy of users' personal information, boosting traders' and consumers' confidence when conducting e-transactions. This spurs e-commerce growth between U.S. and Southeast Asian economies. For instance, at the 6th ASEAN-U.S. Summit in Singapore, in November 2018, the leaders tabled the ASEAN-United States Leaders' Joint Statement on Cybersecurity Cooperation, pledging to achieve several goals, including encouraging "economic growth through policies that build trust and confidence in the digital economy, such as but not limited to frameworks that strengthen consumer protection, intellectual property rights, and cybersecurity, and promote effective personal data protection across jurisdictions, as well as policies in areas such as education and technology competency."[82] Although this is a step in the right direction, more work is needed, implementing specific policy actions.

Trade Cooperation

Although U.S. and ASEAN members may not be able to negotiate and conclude multilateral trade deals in the short term, they should maintain regular formal and informal dialogues. Keeping communications warm can not only diminish the likelihood of misperceiving or misinterpreting one another's policies, which could escalate into a full trade war, but also could raise the prospect of collective action to move trade cooperation forward, developing new ideas for U.S.-ASEAN TIFA, which both sides have been working on since 2017.[83] In addition, bearing in mind the prospect of U.S.-China decoupling, the discussions can help Washington and Southeast Asian nations find ways to restructure their transnational production networks to further tighten trade and investment ties.

Currently, there are two major formal platforms to foster dialogue: ASEAN Economic Ministers-U.S. Trade Representative Consultations, and ASEAN Senior Economic Officials-Assistant USTR Consultations, which convene annually. These meetings should be held more often to exchange views on economic matters, collectively searching for ways to boost U.S.-ASEAN trade. Admittedly, gathering ASEAN economic ministers and USTR more than once a year may be daunting, given time constraints. They may resort to teleconferences if face-to-face meetings are nonviable.

Beyond inter-governmental ("Track I") gatherings, Washington and ASEAN member states can utilize "Track II" mechanisms consisting of think tanks and academics, and incorporate their inputs into the policymaking process. Track II has certain advantages—interactions tend to be informal and non-binding, providing an atmosphere for stakeholders to explore issues too sensitive to be discussed at Track I. Also, due to their informal nature, Track II platforms can serve as idea incubators in which participants can craft and test particular creative ideas and solutions for their problems. The recommendations from Track II entities can be forwarded to Track I to assist policy formulation. Regarding the institutions to be included in such Track II mechanisms, they could be drawn from the Network of East Asian Think-Tanks (NEAT) under the ASEAN+3 structure and Asian Think Tanks Network (ATTN). NEAT was founded in 2003, as a Track II unit making policy recommendations for the ASEAN+3 cooperation process. Set up in 2013, ATTN's main goal is to enhance "systematic knowledge sharing among member think tanks, specifically on development experiences and policy lessons. . . [and raising] the think tank's capacity to generate knowledge or provide policy advice on its domain."[84]

If future dialogue helps Washington and ASEAN members to find common ground regarding how to enhance trade collaboration, these stakeholders should move on to discuss how to develop concrete programs to further advance the U.S.-ASEAN TIFA and E3. Under these frameworks, rules concerning collaboration in areas such as trade facilitation, harmonization of standards, and e-commerce can be strengthened. Moreover, the Trump administration should follow what ARIA recommends, which is seeking to "develop to negotiate a comprehensive economic engagement framework" with ASEAN.[85]

Endnotes

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