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ASEAN Integration in 2030: United States Perspectives

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Abstract

The paper argues that United States (US) participation in the East Asia Summit (EAS)—regional integration architecture led by the Association of Southeast Asian Nations (ASEAN)—was motivated by four changes in the regional economic landscape: (i) the Asian financial crisis of 1997 and emergence of the ASEAN+3 grouping; (ii) the rise of the People's Republic of China (PRC) as the leading regional growth engine and an active player in regional integration arrangements; (iii) the failure of the Asia-Pacific Economic Cooperation (APEC) arrangement to foster trade liberalization in the region; and (iv) the inability of the World Trade Organization (WTO) Doha Development Round to lower global trade barriers significantly.

In joining the EAS, the Obama Administration espoused an approach known as divided functionality, one that would give priority to APEC, and its trade-focused Trans-Pacific Partnership (TPP) agreement economic engagement with East Asia, and the EAS for addressing political and security issues. Currently, two architectures for regional economic integration are contesting. The first embodies the US vision of a deeply institutionalized Asia-Pacific economic community, as articulated by the ongoing TPP trade negotiations. The second is represented by the Asia-only ASEAN+3 framework, a shallowly institutionalized grouping with weak enforcement compliance mechanisms. However, despite differences in the two approaches, prospects for a healthy complementarity between them—through overlapping memberships, the application of open regionalism, and the benefits of competitive liberalization among specific trade agreements—seem promising.

JEL Classification: F13, F15, F18, F55, F59

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1. INTRODUCTION

With the United States (US) joining the East Asia Summit (EAS) in November 2011 and in view of greater attention devoted to the realization of the Association of Southeast Asian Nations (ASEAN) Economic Community in 2015 and beyond, the Asian Development Bank Institute (ADBI) and the ASEAN Studies Center at the American University in Washington, DC, convened an experts workshop to explore US perspectives on these developments. This paper presents the major points of discussion and conclusions reached by the workshop.¹

Following the Viet Nam War, the US turned its attention away from Southeast Asia and gave priority foreign policy attention to other parts of the world, including Northeast Asia as well as the former Soviet Union, Europe, and the Middle East. It welcomed the positive contributions to regional stability made by ASEAN, but pursued its strategic and economic objectives in Southeast Asia through the same “hubs-and-spokes” approach (i.e., one relying primarily on bilateral relations with individual nations in the region) it applied to its strategic and trading partners in Northeast Asia (Shambaugh and Yahuda 2008).

Greater economic engagement with ASEAN began early in the George W. Bush Administration and has been ratcheted up under President Obama’s presidency. This new emphasis reflected a realization that Washington had not adequately responded to the four fundamental changes in the regional economic landscape: (i) the Asian financial crisis of 1997, which led to the institutionalization of closer economic cooperation between ASEAN, the People’s Republic of China (PRC), Japan, and the Republic of Korea in the ASEAN+3 arrangement; and the birth of the Chiang Mai Initiative, which brought the PRC more directly into the regional picture; (ii) the emergence of the PRC as the leading regional growth engine; (iii) the failure of the Asia-Pacific Economic Cooperation (APEC) arrangement to foster trade liberalization in the region; and (iv) the inability of the World Trade Organization’s Doha Development Round to make significant progress in lowering trade barriers (Curley and Thomas 2007; Kumar, Kesavapany, and Yao 2008; Sutter 2009; Zhang 2010).

US reengagement in the region has brought with it a more vigorous US assertion of its interests regarding regional integration and trade liberalization regimes, some of which challenge ASEAN perceptions and norms. The first area of clear differentiation stems from Washington’s vision of a deeply institutionalized, rules-based Asia-Pacific grouping—a policy approach that runs counter to ASEAN’s preference for a shallowly institutionalized regional architecture that is geographically limited to Asia. The expansion of the ASEAN-led EAS to include the US and the Russian Federation in November 2011 has created an Asia-Pacific grouping, but that architecture is based on the ASEAN way of shallow institutions and noninterventionist norms. The second point of sharp divergence is the US insistence on stringent standards for any free trade arrangements it enters into, whether bilateral or multilateral, like the ongoing Trans-Pacific Partnership (TPP) negotiations. This high bar stands in contrast with that seen in the limited and permissive trade agreements negotiated by ASEAN as a grouping (such as the ASEAN–PRC Free Trade Agreement [ACFTA]) and among its individual member countries.¹

The current US stance is a natural evolution of policies dating back to 1993, when President Clinton elevated APEC into a Leaders’ Summit to achieve free and open regional trade and investment within APEC economies by 2020, a goal first expressed in the Bogor Declaration of 1994. While Washington reiterated its desire for an APEC-based Free Trade Area of the Asia-

2 These agreements are generally considered to be “limited and permissive” because they are not comprehensive in their coverage and lack rigorous enforcement mechanisms.

Pacific (FTAAP) at the 2006 APEC Summit, an objective reemphasized at subsequent APEC Summits, realization of that goal appears increasingly unattainable, especially in view of stronger momentum since the 1997 financial crisis toward economic integration between ASEAN and its East Asian neighbors.

Since 2000 an East Asian regional architecture has taken shape, with ASEAN at its hub, focused on achieving an ASEAN Economic Community (AEC) by 2015. The ASEAN hub has established spoke-like arrangements covering the entire region through the ACFTA, initiated in 2002 and realized in 2010; the ASEAN–Japan Comprehensive Economic Partnership Agreement, realized in 2008; the ASEAN–Republic of Korea Free Trade Agreement (FTA), realized in 2010; and the ASEAN–India Free Trade Area, realized in 2010. The most recent “spoke” was the ASEAN–Australia–New Zealand FTA, which entered into force in 2010. At the same time, ASEAN has prepared the groundwork for moving beyond these “ASEAN-plus One” FTAs to construct a more comprehensive and robust economic regional architecture. In 2009, it set up four ASEAN-Plus Working Groups to study the East Asia Free Trade Area (EAFTA) concept, which would include all of the ASEAN+3 countries, as well as the Comprehensive Economic Partnership for East Asia (CEPEA) concept, which aims at including the 16 founding members of the EAS—by adding Australia, India, and New Zealand to the ASEAN+3 member countries (Beeson 2009).²

2. LATE ENTRY OF THE UNITED STATES INTO EAST ASIAN REGIONAL ARCHITECTURE

As economic cooperation in the ASEAN+3 countries burgeoned in the late 1990s and 2000s, US efforts to build up a regional free trade framework under APEC all but fizzled out (Bergsten 2009). Although various trans-Pacific vision statements have been issued under APEC, its ambitious undertakings—notably the adoption in 1994 of the “Bogor Goals” aiming for free and open trade and investment in Asia and the Pacific by 2010 for industrialized economies and by 2020 for developing economies—have fallen far short of realization.³ US hopes that APEC would spearhead liberalization in East Asia and the Pacific were dealt a near crippling blow when key members countries, such as Indonesia, Japan, Malaysia, and the PRC made it clear that they were unable or simply unwilling to meet either the free trade and investment goals agreed to in Bogor or the benchmarks set under the Early Voluntary Liberalization Sector agreement.⁴ In addition to these setbacks, the US push for liberalization within the APEC framework has from the beginning faced serious structural and institutional problems.⁵ APEC’s lack of relevance in financial matters was made vividly apparent by its inability to provide assistance during the 1997 financial crisis, and its identity as a strictly economic institution was seriously diluted when President George W. Bush, in the wake of the 9/11 attacks, insisted on inserting security (i.e., counter-terrorism) issues into the annual agenda. At the same time, Washington’s reliance on the World Trade Organization (WTO) to liberalize global trade proved unrealistic when the Doha Development Round of negotiations, begun in 2003, made no

² The EAFTA concept was first mooted in 1998 by ASEAN+3. The CEPEA framework was proposed by Japan in 2006.

³ These “Bogor Goals” were declared at the APEC Leaders Meeting held in Bogor, Indonesia, in November 1994.

⁴ Japan’s failure to liberalize its agricultural sector in 1997 under the Early Voluntary Liberalization Sector agreement was a major disappointment to APEC supporters.

⁵ A fundamental weakness of APEC as a focus for US engagement with East Asia as a region arises from its cumbersome geographical footprint, which includes three Latin American countries (Chile, Mexico, and Peru) but leaves out three of the 10 ASEAN countries (Cambodia, the Lao People’s Democratic Republic, and Myanmar).

progress in overcoming the sharp disagreements between developed and developing member countries over issues such as subsidized agriculture and access to patented medicines.

Following the 1997 crisis and the first ASEAN+3 ministerial meeting held that year, ASEAN quickened its efforts toward an ASEAN Free Trade Area (ATFA) while pursuing FTAs with other major trade partners, most notably the PRC. By the mid-2000s, it was apparent that ASEAN was emerging as the driver of East Asia integration, with the PRC's deep engagement reflecting its congruent interest in such arrangements and its new role as the leading trading partner of most ASEAN member countries. The PRC's pursuit of an FTA with ASEAN in 2002 coincided with Beijing's interest in promoting Asia-only regional institutions in which it could play a leading role (Zhang 2010). Through its 2003 Bali Concord II initiative, ASEAN accelerated the pace of intra-ASEAN integration by establishing the three pillars of ASEAN community—political-security, economic, and sociocultural.⁶ The initial target date for realizing an AEC in 2020 was subsequently advanced to 2015.

The ramifications of a near-term East Asian-based free trade framework forced Washington to reexamine its own hub-and-spokes approach and to reengage ASEAN more actively on several fronts. Although the US has been slow to enter the arena of multilateral regional discussions, many ASEAN member countries welcomed this deepening of US involvement, recognizing Washington's powerful national security and economic interests as well as its contributions to regional stability and prosperity (Shambaugh and Yahuda 2008; Sutter 2010). As movement toward ASEAN 2015 and other regional arrangements take concrete form, the US will surely be an important part of that picture. The only question is how skillfully it will play the cards it is dealt and any new ones it may bring to the table before 2015. .

3. THE PEOPLE'S REPUBLIC OF CHINA—THE GAME CHANGER IN EAST ASIA'S REGIONAL ARCHITECTURE

The rapid rise of the PRC and its increasing prominence as a regional player have significantly altered the dynamics of East Asia's regional integration. Since its unequivocal embrace of market principles in 1992, the PRC has emerged as the world's manufacturing hub and the most important destination of intermediate goods exports from ASEAN. Such exports from ASEAN are rendered into final products and exported to final markets, particularly the European Union (EU) and the US. The PRC's central role in ASEAN's supply chain has accelerated two-way trade. From 2001 to 2007, trade between the PRC and ASEAN increased more than 20% annually, a development that propelled the PRC to be ASEAN's top trading partner with total two-way trade valued at \$178.1 billion in 2009. ASEAN-US trade came lower at \$149.5 billion. (Association of Southeast Asian Nations 2010a) The US is the fourth largest source of foreign direct investment (FDI) to ASEAN, after Japan, the EU, and ASEAN countries themselves. The total stock of US FDI in ASEAN in 2009 (\$153 billion) was significantly higher than that of the PRC cumulative FDI in ASEAN in 2008 (\$6.5 billion) (Bower 2010; Kubny and Voss 2010).⁷ In 2009, the US was also ASEAN's second largest external export market, below the top-ranking EU market but ahead of the third-placed PRC market. (Association of Southeast Asian Nations 2010b)

ASEAN-PRC trade is expected to grow even faster under the ACFTA. With an economic region of 1.7 billion consumers, the ACFTA is the world's largest free trade area in terms of population

⁶ The Bali Concord II, named after the Declaration of ASEAN Concord, was agreed to by the ASEAN leaders at the Ninth ASEAN summit held in Bali, Indonesia, in October 2003

⁷ . Bower provides only the US FDI for 2009, while Kubny and Voss give only the PRC FDI for 2008.

size. In 2010, it had a gross domestic product (GDP) of some \$6 trillion, amounting to one-ninth of the world's GDP, and total regional trade of \$4.5 trillion, the world's third highest after the EU and the North American Free Trade Agreement (China View 2010). After the agreement took effect in January 2010, the PRC's trade with ASEAN increased significantly. In 2011 ASEAN overtook Japan to become the PRC's third-largest trading partner, with two-way trade flows valued at \$362.3 billion; that figure is expected to exceed \$500 billion in 2015 (Chang 2012). The PRC's rapid rise as a major economic player and driver of regional economic integration moved more quickly than US policy makers had expected, putting them in the uncomfortable position of having to recoup lost ground. Conclusion of the ACFTA in 2002, following the 1997 formation of the ASEAN+3 Leaders' Summit forum, served notice to the US that the PRC had in only a few years made substantial institutional inroads into the region. These developments also revealed that former Malaysian Prime Minister Mohamad Mahathir's once-denigrated East Asia Economic Grouping concept of an Asia-only economic architecture had begun to take shape. Though the PRC's engagement with the region has only deepened since conclusion of the ACFTA and a host of other ASEAN–PRC agreements, its influence is being tempered by the expansion of the ASEAN+3 forum to include Australia, India, and New Zealand. This ASEAN+6 grouping, the basis for the current EAS, was expanded in November 2011 to 18 members with the inclusion of the US and the Russian Federation.

Shortly after coming to office, the George W. Bush Administration concluded that US commercial interests in relation to the robust ASEAN economies were not being served by the stalled Doha Round negotiations and decided to engage the region more actively. Under the 2002 Enterprise for ASEAN Initiative, the US offered the prospect of bilateral Trade and Investment Arrangement (TIFA) agreements and FTAs with ASEAN countries willing to commit to economic reforms and openness. It implemented an FTA with Singapore in 2004 and concluded the US–ASEAN TIFA in 2006. (FTA negotiations with Malaysia made considerable progress until 2009 but are currently in abeyance, having been superseded by Malaysia's TPP negotiations). In 2005, the US expanded its multilateral engagement through the ASEAN–US Enhanced Partnership, which provides greater political, economic, social, and development cooperation primarily in nontraditional security areas. In 2006, the US announced a policy known as ADVANCE (ASEAN Development Vision to Advance National Cooperation and Economic Integration) to further specific goals under the Enhanced Partnership and complement the TIFA. Specific accomplishments under the ADVANCE rubric aimed at trade liberalization and facilitation in ASEAN have included (i) assistance to strengthen the ASEAN Secretariat; (ii) establishment of the ASEAN Single Window, which enables electronic processing of data and other documentation used for customs clearances; and (iii) new technical training programs (US Agency for International Development 2010).

Another major step forward came in 2008 when the US announced the appointment of its first Ambassador to ASEAN, Scot Marciel, who served concurrently as the State Department's Deputy Assistant Secretary of State for East Asia and Pacific Affairs. His appointment was positively received by the ASEAN leaders after their disappointment at Secretary of State Condoleezza Rice's break with two decades of tradition by failing to attend the 2005 and 2007 ASEAN Regional Forum annual meetings of foreign ministers, and President George W. Bush's last minute withdrawal from a planned US–ASEAN Summit in Singapore in 2007. US–ASEAN ties were further augmented by the appointment of John Carden in August 2009 as resident ambassador to the newly-established US ASEAN Mission in Jakarta.

4. UNITED STATES' RE-ENGAGEMENT IN ASIA UNDER THE OBAMA ADMINISTRATION

A policy review early in the presidency of Barack Obama concluded that the US should build on the Bush-era initiatives to address the multidimensional and multilateral challenges of the present era. In his 14 November 2009 speech in Tokyo, President Obama described the new approach. Speaking of the US desire not to be left sitting on the sidelines as East Asian institutions offer opportunities that could advance its security and prosperity, he said:

I know that the United States has been disengaged from these organizations in recent years. So let me be clear: those days have passed. As an Asia-Pacific nation, the United States expects to be involved in the discussions that shape the future of this region and to participate fully in appropriate organizations as they are established and evolve (cited in Allen 2009).

Obama also reiterated the US goal of doubling its exports by 2015, mainly through growth in exports to the PRC, India, ASEAN, and other large emerging markets (Cooper 2010)

Trade with Asia, the most economically dynamic market in the world, is expected to make up a substantial proportion of that expansion. Not only did the region experience the highest growth rates in the wake of the global recession that began in 2008, the PRC also had the highest GDP growth rate of 9.2% in 2009, followed by India at 6.8% and Indonesia at 4.6%. (Euromonitor International 2010) The rapid recovery of ASEAN economies from the global recession facilitated an increase in ASEAN-US trade in 2009 and 2010, with electronic products comprising 39% of US exports in 2010. ASEAN was the US' fourth largest export market and fifth largest supplier of imported goods in 2010 (Yinug 2011:1); In 2009 ASEAN was also home to more than \$153 billion in cumulative US FDI, more than three times the amount (\$45 billion) the US invested in the PRC (Bower 2010). Progress toward realization of the AEC as a single market and production platform in 2015 is expected to lower existing trade barriers, encouraging greater growth of US exports to the region.

In an October 2010 speech in Honolulu, Secretary of State Hillary Clinton enunciated the Obama doctrine of pursuing a foreign policy focused on "Three Ds"—defense, development, and diplomacy (or democracy, in some formulations)—and restated the US commitment to engage the region:

Let me simply state the principle that will guide America's role in Asian institutions. If consequential security, political, and economic issues are being discussed, and if they involve our interests, then we will seek a seat at the table. That's why we view ASEAN as a fulcrum for the region's emerging regional architecture. And we see it as indispensable on a host of political, economic and strategic matters (Clinton 2010).

In short, the Obama Administration has repeatedly stressed that the US will assertively seek to protect and advance its political and security as well as its economic interests in a region that is likely to continue its rapid movement toward closer ASEAN-led integration. This new sense of urgency for closer engagement with ASEAN and other regional economies has been met with strong encouragement from several key regional players, notably Australia, Japan, and Singapore.

Specific actions taken since that Obama administration policy review have included the following:

- Multiple presidential and secretary of state visits to the area, including one by Secretary Clinton to the ASEAN Secretariat

- Accession to the Treaty of Amity and Cooperation in Southeast Asia, a long-standing ASEAN request
- Declaration of a new policy of engagement with ASEAN outlier Myanmar while keeping sanctions in place
- Agreement to join the EAS
- The first-ever participation by a US Secretary of Defense in the ASEAN Defense Ministerial Meeting (ADMM Plus)
- The decision to appoint a US Ambassador to ASEAN stationed in Jakarta, seat of the ASEAN Secretariat
- Sustained engagement through the US–ASEAN TIFA

The July 2010 US decision to join the EAS represents a major commitment to engage with ASEAN through presidential attendance at its annual gatherings, beginning in November 2011. The EAS agendas have heavily, though by no means exclusively, focused on economic issues. However, the US—consistent with its “divided functionality” approach⁸—stresses its preference for discussing economic questions in the APEC context and for considering the EAS forum the ideal venue for addressing political and security issues like counter-terrorism, maritime security, nuclear nonproliferation, and areas of concern within the nontraditional security rubric (such as food and human security, trafficking in persons, disaster relief, and environmental problems).⁹ In her October 2010 speech, Secretary Hillary Clinton stated quite definitively that the US wants “to see EAS emerge as a forum for substantive engagement on pressing strategic and political issues, including nuclear nonproliferation, maritime security, and climate change” (Clinton 2010). The relative time and weight to be given to economic and noneconomic topics at forthcoming EAS sessions is sure to be a matter of considerable debate, if not sharp difference, among its members, but the presence of the US and the Russian Federation at future EAS meetings will probably demonstrate the value of addressing these broader regional issues.

Since 1990 US citizens have often heard the argument that Asian countries enjoy racial/ethnic affinity borne from common “Asian values,” but are skeptical of assertions that any such Asian values are fundamentally different from what they consider to be universal values (Donnelly 2003). They do, however, accept the reality that East Asian nations share common regional interests that may not always converge with those of the US. That said, excluding the US from deliberations on key regional issues would deprive the East Asian nations not only of the voice of the world’s leading power but also of valuable ideas and resources it can bring to the table. Although recent changes in the structure and format of the EAS have brought in other key outsiders (Australia, India, New Zealand, and the Russian Federation), concerns about Washington’s intentions to pursue universal human rights and other democracy-building initiatives in the EAS continue to trouble the PRC and other authoritarian ASEAN members such as Myanmar.

While ASEAN is pleased with the US commitment to support it as the “fulcrum for the region’s emerging regional architecture” (Clinton 2011), the low priority of trade and economic issues in the US agenda for the EAS reflect US expectations that APEC (through the TPP), and not the EAS, should serve as the primary framework for regional economic integration. While Washington has signaled its desire to pursue a policy of divided functionality for APEC and the

⁸ This approach denotes a bifurcation of effort, with APEC serving as the primary venue for addressing regional economic issues and the EAS functioning as the chosen arena for discussing political and security issues.

⁹ These points were made in the keynote luncheon address by J. Yun, Deputy Assistant Secretary of State, Bureau of East Asian and Pacific Affairs, at the ASEAN 2030 Workshop held in American University, 7 February 2011.

EAS—a strategy that would assign trade and other economic matters to APEC and political and security issues to the EAS—that policy is likely to be opposed by ASEAN. An immediate obstacle to the US strategy of taking economic issues out of the EAS agenda is that EAS member countries have made financial and economic cooperation one of the five priorities for EAS cooperation, and have agreed to study the proposals for broader integration based on both the EAFTA and CEPEA frameworks.(Association of Southeast Asian Nations 2010c)¹⁰ While some current EAS members (notably Japan and Singapore) support the US position, others (especially the PRC) are likely to be lukewarm if not hostile to the idea of changing the focus of the leaders' meetings so sharply.

The divided functionality strategy of the US and its initiatives under an expanded TPP to create an Asia-Pacific free trade regime stand in sharp contrast to the region's momentum toward achieving an AEC in 2015, and early conceptual work on the EAFTA and CEPEA. Thus, two quite different regional architectures are under consideration: (i) the Asia-only approach, which gives primacy to closer cooperation among East Asian countries; and (ii) the Asia-Pacific approach, which envisages a broader goal of trans-Pacific cooperation, with the US playing a major role. While the Asia-only architecture is built on shallowly institutionalized integration, as well as limited and selective trade liberalization with a weak enforcement mechanism for compliance (as exemplified by the ACFTA), the Asia-Pacific TPP vision embodies the comprehensive, high standard FTA norms of the US for the 21st century, which include labor rights, environmental protection and conservation, as well as next-generation trade issues such as supply chain linkages and regulatory coherence (Barkley 2011).

5. DISCUSSION POINTS AT ADBI WORKSHOP

In light of these developments and the forthcoming participation of the US in the EAS, many scholars and specialists in the region, including those affiliated with ADBI, came together at the ADBI-ASEAN Studies Workshop for ASEAN 2030 to explore the evolution in US thinking and examine how US and ASEAN perspectives on regional economic integration will be able to find common ground. All the participants welcomed ADBI's longer term analytical approach to realize a resilient, inclusive, competitive, and harmonious (RICH) AEC by 2030, and concurred with the workshop's evaluation of the many challenges faced by ASEAN as a region and individually by its 10 members as they move toward that goal.¹¹ At the same time, ADBI's concentration on ASEAN 2030 raised fundamental questions regarding the nature of US economic interests and prospects for America's successful attainment in building a high-quality, gold-standard free trade regime under an expanded TPP.

From the outset, the participants focused on the inescapable reality that since the Asian financial crisis of 1997, the push toward closer regional cooperation centered on ASEAN+3 has gained powerful momentum and that the US has had to make up for lost time in protecting its interests. While recognizing that regional economic integration—spurred by ASEAN initiatives and strong encouragement from an increasingly involved and assertive “rising PRC”—is proceeding at a rapid pace, the US participants in the workshop raised a number of concerns and questions regarding the emerging regional architecture and what it would mean for US interests. Among them were the following:

¹⁰ The four other priorities are energy, education, disaster management and avian flu/pandemic disease prevention.

¹¹ The aim and approach of ADBI's ASEAN 2030 project, as well as the challenges faced by ASEAN and individual member countries in realizing the proposed objectives, were presented at the workshop by M. Kawai, ADBI's Dean and CEO, and G. Capannelli, ADBI's Principal Economist. See, Kawai 2011, and Capannelli 2011.

1. Will the ASEAN 2030 regional integration architecture be an Asia-only one confined to the 13 ASEAN+3 countries? Or will it seek maximum involvement of the new ASEAN+6 countries, two of which (Australia and New Zealand) are at best “honorary Asians”?
2. How will US interests be affected by the above developments? Can it play an effective role, given that it has been outside the ASEAN+3 process and is wedded to promoting a much different long-term vision—the TPP under the APEC agenda? Will the two architectures become bitter competitors or be able to find mutually beneficial common ground—or simply coexist uncomfortably?
3. Can ASEAN maintain sufficient cohesion and dynamism to remain the vital driving force for regional integration? Do its members have the political will to empower the ASEAN Secretariat to exercise autonomous authority? Does the ASEAN Secretariat have the administrative capacity to implement the trade liberalization and facilitation measures necessary to realize the AEC by 2015? Might ASEAN by 2030 be capable of entering into trade agreements containing stringent and enforceable provisions?
4. What will happen if, as is predicted by some, ASEAN falls well short of achieving its AEC target in 2015?
5. Will ASEAN make significant progress in breaching the divide separating its high performers from its weakest economies, notably Cambodia, Lao People’s Democratic Republic (Lao PDR), and Myanmar?
6. Will Myanmar, now an outlier in the process, fit into—or impede—regional development and integration?
7. How should ASEAN address political hindrances to economic growth and deeper cooperation? More fundamentally, how does one measure political versus economic goals in the drive behind regional integration?
8. Will ASEAN’s permissive, weak trade agreements lead to—or set back—progress in human rights and democratic reform?
9. What benchmarks are most appropriate for measuring success in achieving ASEAN economic integration in 2030? What is the model? What does regional integration mean? Is a new measure of GDP needed?
10. What is likely to be the role of Japan in ASEAN 2030, especially in relation to other outside actors such as the PRC, India, and the US?
11. What are the prospects of the TPP evolving into an FTAAP without the PRC’s endorsement and participation?

Two major points of discussion arose from the wide range of questions raised. First, will ASEAN be able to achieve the objectives set out in its AEC 2015 vision? If not, what would be the implications for ASEAN’s ability to continue to be the key driver of regional integration leading up to 2030 as envisaged by ADBI? Second, to what extent will the US gold-standard FTA norms -- which go beyond rules negotiated in the WTO to cover “beyond the border” matters such as labor, the environment and “the development of regional production and supply chains holistically, including issues related to connectivity, customs cooperation, and standards” (Salerno, 2012), -- be accepted within the rapidly evolving East Asia economic architecture, which seems increasingly wedded to low quality FTAs such as those that have proliferated since 2000?

Many doubts were raised regarding the institutional capacity and political will of the ASEAN member countries, particularly Cambodia, Lao PDR, Myanmar, and even Indonesia, in implementing the measures agreed to under the major AEC 2015 agreements—the ASEAN Trade in Goods Agreement, the ASEAN Framework Agreement on Services, the ASEAN Comprehensive Investment Agreement, and the Enhanced Dispute Settlement Mechanism. While the ASEAN Secretariat has estimated that 17.1% of deliverables under the AEC blueprint still have not been achieved (Pushpanathan 2011), the high level of US skepticism voiced at the workshop indicated an even more pessimistic estimation of the prospects for a fully operational AEC by 2015. Significantly, many of the impediments voiced by the US participants mirrored the same urgent needs identified in the ADBI study discussed at the workshop: (i) for ASEAN to undertake reforms to strengthen macroeconomic policy coordination at both the regional and national level; (ii) to close the developmental divide between the ASEAN-6¹² and the newer members of Cambodia, the Lao PDR, Myanmar, and Viet Nam; (iii) to enhance institutional capacity, especially in the ASEAN Secretariat, for regional cooperation; (iv) to improve regional and national connectivity; (v) to foster human resource development; (vi) to reduce poverty and income inequalities; and (vii) to improve governance.

With regard to the US role in the evolving regional architecture, there was consensus that, unlike the rapid construction of the Asia-only institutional architecture, APEC's long-term vision of an FTAAP that would embrace the entire region is currently a remote prospect. It was recognized that ongoing negotiations to expand the TPP's membership from the existing four members (Brunei Darussalam, Chile, New Zealand, and Singapore) to nine (including Australia, Malaysia, Peru, US, and Viet Nam, whether successful or not, cannot give a clear prognosis as to the prospects of future PRC membership in the TPP. These prospects appear dim at the moment, given the PRC's apparent lack of interest in acceding to high-quality WTO-plus arrangements. Regarding the practicality of the current US approach of divided functionality, most participants felt it highly unlikely that ASEAN would be amenable to that differentiation, particularly since three of its member countries are not in APEC.

A final point of discussion was ADBI's considerable attention to the emerging regional role of the PRC and India, Asia's burgeoning economic giants. It was noted that the ADBI ASEAN 2030 project was undertaken with the purpose of strengthening ASEAN competitiveness so that it would not be sidelined and eclipsed by its two more dynamic neighbors. The reforms and measures proposed in this study would thus enable ASEAN to continue to be the driver of regional integration in 2030. While the emphasis given to the PRC and India received the full endorsement of the US participants, many felt that the workshop did not give enough attention to the role of Japan. First, as one of the world's strongest economies, Japan is a regional player whose participation in, or opposition to, any arrangements for regional integration will be an essential factor. Second, Japan has proposed its own imaginative concept of regional integration, the CEPEA, which would embrace all 16 EAS members prior to the admission of the US and the Russian Federation. Third, the intimate security relationship between the US and Japan virtually insures that Japanese engagement at every stage of the ASEAN 2030 project will have profound implications for US interests in the region. In this context, Japan figures much more importantly in US perspectives on ASEAN integration in 2030 than India. Despite its inclusion in the expanded EAS and its warming bilateral ties with the US, India is not currently a member of APEC, and thus not eligible for TPP membership.¹³

¹² These are Brunei Darussalam, Indonesia, Malaysia, the Philippines, Singapore, and Thailand.

¹³ However, as the PRC seeks to expand its influence in the Indian Ocean and as that body of water becomes "the center stage for power play" among major powers in the 21st century (Kaplan 2009), India will become an increasingly relevant player in ASEAN-related institution building from 2010 to 2030..

6. WHAT ROLE FOR THE UNITED STATES, THE TRANS-PACIFIC PARTNERSHIP, AND ASIA-PACIFIC ECONOMIC COOPERATION IN ASEAN 2030?

From the workshop deliberations, several major assumptions can be made regarding US policy approaches to ASEAN 2030, and more broadly, regional integration.¹⁴ First, it is clear that the US fully supports ASEAN's movement toward the AEC in 2015 and all other measures ASEAN is undertaking and will undertake to strengthen intra-ASEAN prosperity and stability. US endorsement of any ASEAN integrated strategy for Southeast Asian cooperation stems from the US desire to strengthen the capacity of regional institutions so that its political and security responsibilities can be increasingly shared by friends and allies in the region (Campbell 2011). In this regard, the US will continue to assist in building up the capacity of the ASEAN Secretariat to enable more effective implementation of ASEAN 2015, and looking ahead, of ASEAN 2030. By the same token, the US is committed to assisting ASEAN in implementing the Master Plan on ASEAN Connectivity adopted in Ha Noi in October 2010, which called for the implementation of measures that complement ASEAN's ongoing efforts to promote physical, institutional, and people-to-people integration (Association of Southeast Asian Nations 2010d). Although supportive of ASEAN's AEC goals, the US is not likely to join trade agreements ASEAN reaches with its dialogue countries or that are part of such arrangements as an EAFTA or CEPEA, as they would be seen as failing to meet the high thresholds required by the US Congress, especially in areas such as openness to US exports, high labor and environmental standards that go beyond WTO rules, and measures likely to produce real progress in opening up trade and financial sectors. ASEAN-supported agreements to date, including bilateral FTAs within the region, also fall far short of the US gold standard because of their lack of rigorous enforcement mechanisms and their voluntary, positive list character. For FTAs the US Trade Representative's office negotiates, the US must insist on comprehensive negative list agreements that provide for "extensive (even intrusive) reduction of impediments to trade and investment" (Bergsten 2007: 2).¹⁵

Although APEC's promotion of an FTAAP has proven overly ambitious, at least for the present, the US vigorously supports the TPP negotiations within the APEC umbrella. The framework, first conceived by Chile, New Zealand, and Singapore, came into force in 2006 with Brunei Darussalam as the fourth member. It was subsequently seen by Washington as a potential building block to the larger FTAAP within the APEC framework. Reflecting the strong US desire for using the TPP process to help achieve its trade expansion goals in Asia, US Trade Representative Ron Kirk said that "the United States views a TTP Agreement as a means to advance US economic interests with the fastest-growing economies of the world and as a potential platform for economic integration across the Asia-Pacific region" (Kirk 2010). Pointing to the robust growth of US exports to the region—an increase of 8.3% in goods exports and 7.7% in service exports in 2008 over 2007—and drawing attention to the proliferation of trade agreements in the region (totaling 175 in 2009), the large majority to which the US is not a party,

¹⁴ This section includes inputs based on post-workshop conversations between the author and US State Department and US Trade Representative officials working on ASEAN and TPP issues.

¹⁵ A positive list approach to trade agreements denotes the voluntary inclusion of a designated number of sectors in a national schedule indicating what type of access and what type of treatment for each sector and for each mode of supply a country is prepared to contractually offer suppliers from other countries. By contrast, a negative list approach requires that discriminatory measures affecting all included sectors be liberalized unless specific measures are set out in the list of reservations.

Kirk pitched the TPP as a tool to halt the “significant decline in the US share in the Asia-Pacific markets over the past decade” (Kirk 2009).

In 2008, the US signaled its interest in joining and leading negotiations for an expanded plurilateral TPP. Under the terms agreed upon by the US and its negotiating partners, membership is open to all 21 economies in APEC that meet and agree to accept the high standards set by the US. Current negotiations among TPP members focus on such areas as industrial goods, agriculture, telecommunications, financial services, customs, rules of origin, government procurement, and trade capacity building, in addition to environment protection and conservation, workers rights protection, and transparency (US Trade Representative Office 2010c). If the promising talks taking place at present reach fruition, this first stage of the US-led TPP enlargement process will bring its size to nine members, including four from ASEAN (Brunei Darussalam, Malaysia, Singapore, and Viet Nam). USTR officials leading the expanded negotiations hope to have outstanding issues among the stakeholders from the nine countries worked out by the end of 2012.¹⁶

The TPP is open to all APEC members. However, those wishing to become TPP members must meet its high standards. Given such stringent benchmarks and US Congressional concerns over issues pertaining to protection and human rights, it is unlikely that the three “outsider” ASEAN countries (Cambodia, Lao PDR, Myanmar),¹⁷ will qualify for membership in APEC in the foreseeable future, much less be able to meet the gold-standard requirements for joining the TPP. It also appears unlikely that the three remaining ASEAN members in APEC—Indonesia, the Philippines, and Thailand—will join the TPP any time soon.¹⁸

The PRC’s response to the TPP appears thus far to have been more negative than positive. Indeed, a PRC scholar has characterized the arrangement as a US “policy of containment for the rise of China” (Li 2011). This line of criticism views the TPP as an US device aimed at dominating economic integration in East Asia by marginalizing ASEAN as the driver of economic integration in East Asia, and weakening ASEAN+3 cooperation. In response to such comments, US officials have emphasized that TPP membership is open to all APEC member countries that meet its benchmarks, and have emphatically welcomed the PRC’s membership in the TPP if and when it is ready to join (Campbell 2011).

As it looks at the quality of existing trade agreements entered into by ASEAN in Asia and the Pacific, the US gives highest priority to those which embrace realistic regional and sub-regional objectives. It reserves particular praise for multilateral trade and investment agreements that significantly remove barriers through “competitive liberalization” among their signatories.¹⁹ It encourages any initiatives by ASEAN, including those within the AEC context, that promote market-opening, especially those related to government transparency, harmonization, consistency, liberalized financial sectors, intellectual property rights protection, and macroeconomic policy coordination. For example, it believes that the ASEAN Single Window holds great promise for enabling the rapid exchange of standardized data among member country customs agencies (US International Trade Commission 2010: xiv).

¹⁶ Communication with US Trade Representative official engaged in the talks, 22 May 2012.

¹⁷ These three countries are not members of APEC and thus are not eligible to join the TPP.

¹⁸ Economic nationalism and the lack of political will to dismantle trade barriers currently inhibit Indonesia and the Philippines from joining the TPP. Domestic political instability in Thailand since 2006, when former Prime Minister Thaksin Shinawatra was deposed by a military coup, has prevented Bangkok from engaging in US-led FTAs.

¹⁹ This process of trade liberalization occurs when a country replicates benefits reached in one trade agreement with other trade partners. For an analysis of competitive liberalization in the Asia Pacific, see Solis, Stallings, and Katada 2009.

7. AREAS OF COMPLEMENTARITY BETWEEN THE EAST ASIA FREE TRADE AGREEMENT AND FREE TRADE AREA OF THE ASIA-PACIFIC VISIONS

Arguing that trade and financial reform are not some kind of zero-sum game, and instead believing that cooperation, interdependence, and competitive liberalization produce positive results for all parties, the US does not view progress toward an Asian-only EAFTA or the Japan-proposed CEPEA on the one hand and the evolution of the TPP process on the other as inevitably headed for conflict. Despite the existence of these potentially competing architectures for primacy in promoting regional integration, several factors promote a healthy complementarity of the two approaches.

- The US has made it clear that, while actively promoting APEC and the TPP process, it participates in ASEAN-centered economic arrangements such as the US–ASEAN TIFA. It also fully endorses ASEAN 2015 and supports other ASEAN-centered FTAs such as the ACFTA.
- When trade agreements reached in any institutional context contain nondiscriminatory ASEAN and US practices of open regionalism and WTO compatibility, all parties benefit.
- Multiple trade promoting arrangements may cause some uncertainty and even trade diversion, but on balance they can bring compensating benefits since these arrangements remove trade barriers through competitive liberalization. Even in economic policy matters, overlap is already considerable. For example, US initiatives in the APEC context have included close cooperation with ASEAN on customs regulations, trade facilitation, and economic and technical interchange.
- ASEAN nations such as Brunei Darussalam and Singapore are already members of the TPP and several others (including Malaysia and Viet Nam) are negotiating to become members.
- Most ASEAN members appreciate the role played by the US in ensuring regional security and economic progress, and expect it to have a seat at the table when major regional issues are discussed. Many privately or publicly view it as a valuable counterweight to the PRC and a valuable participant in discussions of political, security and other noneconomic matters, particularly in the case of Malaysia, the Philippines and Viet Nam, which have territorial disputes with the PRC in the South China Sea.²⁰

Between 1990 and 2010, the volume of US trade with Southeast Asia tripled, from \$45.9 billion to \$176 billion (Hervandi 2011). Key multinational corporations headquartered in the US have not experienced negative impacts on their overall trading and foreign investment positions from the ACFTA and other trade agreements concluded between countries in the region that do not include the US. It can even be argued that US businesses can derive benefits from the lowering of trade barriers and other efficiencies that accompany liberalization among the regional economies. Although to date US business interests have not found such FTAs to have diverted trade and investments away from the US, they strongly support US official engagement in

²⁰ The benefit of having US support to counter the PRC's claims in the South China Sea was vigorously articulated by the ASEAN participant from Viet Nam at the US-ASEAN Summit Strategic Dialogue Roundtable, organized by the ASEAN Studies Center at American University, Washington, DC, on 21 September 2010. See Heng 2010.

facilitating the plurilateral TPP since that agreement would promote a more predictable trade system and increase greater access for US exports to the region.²¹

8. CHALLENGES TO REALIZATION OF THE UNITED STATES ASIA-PACIFIC REGIONAL ARCHITECTURE

Assuming success in the present TPP negotiations and the willingness of the US Congress to approve its formal agreement to US TPP membership, full realization of this model for regional economic integration still seems a very long way off. Among the impediments along that path are the following:

- The very high bar of FTA standards that the US requires for new TPP members.
- The serious economic divide within ASEAN that keeps Cambodia, Lao PDR and Myanmar out of APEC and makes it unlikely that they could approach the gold-standard requirements of the TPP process.
- The current absence of major potential members, such as India (not even yet a member of APEC) and Japan (which could not find the political will to fully support APEC's Bogor goals).²²
- The critical approach of the PRC toward the TPP, with some PRC scholars accusing it of being a stratagem for containing the rise of the PRC. Clearly, the TPP cannot become a fully effective plurilateral Asia-Pacific framework without the PRC's eventual inclusion.
- In the face of ASEAN resistance to Washington's desire to have divided functionality for the EAS and APEC, economic integration under the EAS framework will continue to command greater support among ASEAN member countries than the TPP. Indeed, ASEAN officials continue to emphasize that economic cooperation will proceed quickly under the EAS; at the same time, ASEAN is willing to consider US membership in the proposed CEPEA.²³

²¹ Personal communication with Marc Mealy, Vice President of US-ASEAN Business Council in January 2011. While USTR Ron Kirk has argued that US exports to Asia and the Pacific have declined in the face of the proliferation of preferential trade agreements to which the US is not a party, other analysts have concluded that the expansion of ASEAN-centered FTAs will improve predictability in the region's trade and investment environment compared to the current trade system. Hiratsuka and Kimura (2008: 1), for example, argue that the rapid progress of de facto and de jure economic integration "would not only provide an efficient and stable regional trade and investment system but also narrow socio-economic disparities in East Asia and complement international trading systems governed by the World Trade Organization (WTO)." In contrast, scholars such as Solis, Stallings, and Katada (2009: 236, 247) have argued that FTA proliferation in the region has negative consequences for regional coherence and convergence, and will challenge, rather than facilitate, region-wide FTA networks

²² Prime Minister Naoto Kan announced his desire to bring Japan into the TPP talks but that initiative was put on hold in the aftermath of the Tohoku earthquake of 11 March 2011. His successor, Yoshihiko Noda, who took office in September 2011, likewise has sought TPP membership for Japan but has not been able to muster the necessary domestic political support to begin talks.

²³ This point was made at a seminar convened on 27 May 2011 by the ASEAN Studies Center and the East-West Center and held at the East-West Center in Washington, DC. D. Oratmangun, Director-General for ASEAN Cooperation at the Indonesian Ministry of Foreign Affairs, emphasized that economic cooperation will proceed apace under the EAS. He stated that ASEAN is willing to study the feasibility of US membership in the proposed CEPEA. See www.eastwestcenter.org/ewc-in-washington/events/previous-events-2011/may-27-oratmangun-swjaya-bakrie/

9. SUMMARY OF UNITED STATES PERSPECTIVES ON PROSPECTS FOR ASEAN INTEGRATION IN 2030

Eight major findings on US perspectives on ASEAN 2030 emerged from the ADBI workshop:

1. If ASEAN remains cohesive, prosperous, and well-connected with the US and other major outside players, ASEAN will continue to be the driving force for East Asia's economic integration while playing a balancing—even pivotal—role among the major powers.
2. US strategic, political, and economic interests in Southeast Asia—as well as in Northeast Asia and elsewhere in the Pacific—will inevitably require its deep and continuing engagement with and support for ASEAN. For the US, just as much as for the PRC, economic developments affecting the ASEAN countries carry a geo-strategic security dimension.
3. ASEAN and its Asian neighbors are likely to become much more prosperous and closely integrated by 2030.²⁴ In addition to realizing many, if not most, of the goals set for establishing the AEC by 2015, broader market forces and the effects of globalization will continue to pull the nations together.
4. Continuing its divided functionality approach to regional engagement and resolutely staying out of low-grade trade agreements, such as the EAFTA is likely to be, the US will give priority in its economic policies to trans-Pacific arrangements like APEC and the TPP while at the EAS sessions it promotes constructive dialogue and consensus building regarding common political and security concerns.
5. Although membership in the TPP will probably expand substantially, the prospects are much brighter for an Asia-centered trade architecture (such as an EAFTA that includes the current ASEAN+3 nations) and for realization of practical goals (such as envisaged in the CEPEA concept, which includes Australia, India, and New Zealand in an ASEAN+6 grouping).
6. Modalities will be found to include the US, as appropriate, in regional discussions of economic policy, but most such deliberations will take place among representatives of ASEAN and East Asian economies. A new modality might be to fold the US and the Russian Federation into an expanded CEPEA (ASEAN+6+2), but it is highly unlikely that the US would be drawn to that proposal.
7. The PRC and India will become ever stronger actors in regional affairs and may threaten to erode ASEAN market share, competitiveness, and scope for independent action.
8. Despite its deep strategic, economic, and other interests in the region and its strong military capacity, the US will adjust to the reality that it is but one of the important players in the game and have to allow its agenda to be set by—or at least be accommodating of—the needs of ASEAN member countries. This point was forcefully articulated by US government participants at the ADBI workshop, in particular J. Yun, Deputy Assistant Secretary of State for East Asian and Pacific Affairs. More recently, Deputy Secretary of State K. Campbell, at a Center for Strategic and International Studies program on US Engagement in Southeast Asia held on 31 May 2011, stated that the US was ready to

²⁴ ADBI predicts that, by 2030, ASEAN will become a RICH (Resilient, Inclusive, Competitive, Harmonious) region. One participant at the workshop asked whether ASEAN as of 2030 would truly be thriving—or simply surviving.

work with the “established culture and work agenda” of the EAS in the five priority areas, including economic cooperation, already agreed on by EAS leaders.

10. CONCLUSION: UNITED STATES’ DESIRED OUTCOMES FOR 2030 EAST ASIAN INTEGRATION

In conclusion, the overarching objective of US commitment to sustained and deeper engagement with ASEAN is to build a peaceful and prosperous Southeast Asia. It supports the Asian Development Bank’s goal of building a RICH ASEAN by 2030. The deepening of ASEAN’s physical, institutional, and people-to-people connectivity—that would put in place the requisite infrastructural, legal, and institutional mechanisms to facilitate the movement of goods, services, and people within and beyond the region—would admirably serve US political, security, and economic interests not only in the region but also globally.

Whatever East Asian integration in 2030 will look like, the US will want to work closely with a well-managed, cohesive, vibrant, and visionary ASEAN that is capable of competing with the economies of Northeast Asia and South Asia and continues to be the driver of regional integration. In this respect, the US will use the EAS as the primary vehicle for productive consideration of the major political and security issues within East Asia, while helping the TPP achieve its potential for lowering barriers to trade and investment in Asia and the Pacific. As it vigorously participates in promoting deeper cooperation in security, political, and economic spheres, the US anticipates that progress in each of those areas will produce beneficial results in the others. It will continue to contribute resources toward strengthening of the ASEAN Secretariat so that it can play a substantially more important role in economic reform, regional integration, and cooperation with partner countries. At the same time, it will build ASEAN member country capacity for undertaking liberalization in such areas as trade and services, finances, and skilled labor through the ASEAN–US TIFA, Enhanced Partnership, and ADVANCE, particularly the Single Window initiative.

In sum, Washington will give full support to any of ASEAN’s multilateral arrangements that open up trade and financial systems, work efficiently, and promote standardization, harmonization and innovation, always with a view to greater liberalization and the furtherance of open political and economic systems. While US and ASEAN visions of optimal regional integration currently contain contradictions, complexities, and controversial features, their overlapping memberships, commitment to open regionalism, and the benefits of competitive liberalization will result in a more deeply integrated ASEAN-centered regional economic architecture by 2030.

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