

US-ASEAN Relations in a Changing Global Context

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I. INTRODUCTION

Relations between the United States and ASEAN have a long tradition. The United States was an early supporter of the Southeast Asia Treaty Organization (SEATO), and it signed the Manila Pact of 1954, which remains in force as a collective defence treaty with Thailand and the Philippines. It supported the creation of the Association of Southeast Asian Nations (ASEAN) in 1967, at a time when the US military intervention in Vietnam was escalating. It became an ASEAN dialogue partner in 1977 and has cooperated with ASEAN in a wide variety of areas, ranging from security to economic, social, and cultural affairs.

Trade has been a critical part of this engagement especially since the end of the Cold War, when the post-war security imperative became less dominant and economic factors became more prominent. The decision to move forward with the ASEAN Free-trade Area (AFTA) at the Fourth ASEAN Summit in Singapore in 1992 heralded a new era of cooperation in ASEAN in which economic cooperation would play a central role. The United States has been an important supporter of intra-ASEAN trade and investment and has long endeavoured to boost trade and foreign direct investment (FDI) ties. For example, in 2002, the United States proposed an Enterprise for ASEAN Initiative (EAI), under which it envisioned, *inter alia*, bilateral free-trade areas (FTAs) with countries willing to commit to reforms (Naya and Plummer 2005). The United States concluded a bilateral FTA with Singapore in 2003 and began FTA negotiations with Thailand in 2003 and with Malaysia in 2005, although ultimately no agreement was reached with these countries.¹ The first US ambassador to ASEAN was appointed in 2008. In 2012, the United States participated in the first ASEAN-US business summit in Cambodia, and agreed to institutionalize an annual leaders' summit – in effect, committing the US president to meet with ASEAN leaders every year. The first such

* The paper was submitted on 8 May 2017.

¹ The US-Thailand negotiations were suspended after Prime Minister Thaksin was deposed in a military coup in 2006, and the US-Malaysia negotiations reached an impasse in 2009.

meeting launched the Expanded Economic Engagement (E3) initiative to facilitate the development of trade and investment flows.²

In modest ways, the United States has also supported the region's international economic strategy (Petri and Plummer 2014). In 2007, it launched the ASEAN Development Vision to Advance National Cooperation and Economic Integration (ADVANCE) project, which supported trade liberalization and facilitation in cooperation with the ASEAN Secretariat. ADVANCE has funded, for example, work on the ASEAN Single Window, which facilitates trade through electronic documentation and is an important component of the ASEAN Economic Community (AEC).

The election of Donald Trump as President of the United States has created a good deal of uncertainty regarding the future of US-ASEAN economic relations. In particular, the decision to withdraw from the Trans-Pacific Partnership (TPP) agreement, which has four ASEAN member-economies as founding members with several others indicating an interest in joining at a later stage, threats to punish trading partners with which the United States has a bilateral trade deficit, and anti-globalization rhetoric have sowed doubt in the region regarding the US commitment to deepening economic relations.

Whether the approach of the new US Administration will differ significantly from the past is yet to be seen but will no doubt reveal itself in the months ahead. The goal of this paper is to consider the US-ASEAN economic relationship in the context of a rapidly-changing global environment a half-century after the establishment of ASEAN. In section II, to set the stage it gives a brief review of the US-ASEAN economic relationship, followed in section III by an analysis of the evolution of ASEAN cooperation and its nesting in the “mega-regionalism” trend in the Asia-Pacific region, which has the potential to reshape substantially commercial policy in the region for years to come. Section IV gives recommendations for a 21st-century framework for US-ASEAN relations, updating work I have done on the topic with my co-author, Peter Petri.³ Section V gives some concluding remarks.

II. CONTEXT OF US-ASEAN ECONOMIC RELATIONS

Southeast Asian economies have made tremendous economic progress since the creation of ASEAN. All original ASEAN economies are now middle-income countries except Singapore, whose per capita income level is now above the OECD average. This is an amazing feat for a country that, at the time of its foundation in 1965, was a poor country with enormous domestic political challenges to overcome. The transitional

² The White House, Office of the Press Secretary, “Fact Sheet: The US-ASEAN Expanded Economic Engagement (E3) Initiative,” November 19, 2012.

³ This section is an updated version of recommendations offered in Petri and Plummer (2014).

ASEAN economies – Cambodia, Lao PDR, Myanmar and Vietnam – have also experienced strong growth rates particularly since joining ASEAN; Vietnam, for example, became a middle-income economy five years ago and has been one of the fastest growing economies in the world since it began its economic reforms in the mid-1980s. In the early 1990s, over half of its population lived below the absolute poverty line (defined by the World Bank as less than an average income of US\$1.90 per day); today, only 3 percent do.⁴

Economic dynamism is forecast to continue to be strong over the next decade. Table 1 shows forecasts of population, GDP, and per capita income growth through 2025, using 2010 as the base year. The ASEAN economy is projected to more than double to US\$3.8 trillion by 2025, and per capita income will increase to almost US\$6000. Per capita income is expected to rise from 31 percent of the global average to 44 percent. The dispersion of per capita income in ASEAN is high – it is characterized by one of the highest regional disparities in the world – but is expected to fall over time. For example, the percentage of per capita income of Myanmar, which is one of the lowest in the region, relative to the ASEAN average is forecast to rise from 16 percent in 2010 to 28 percent in 2025.

Rapid economic growth rates, demographic change, and a rising middle class suggest that ASEAN will be an increasingly important market for the United States, both for trade and FDI. In fact, ASEAN is already a vital location for US-led supply chains and production networks. As shown in Table 2, US exports to ASEAN are expected to almost double to US\$152 billion in 2025 from US\$81 billion in 2010, slightly increasing the region's share of overall US exports from 5.3 percent to 5.4 percent. In terms of FDI, the stock of US investments in ASEAN is expected to rise from US\$142 billion to US\$452 billion over the same period, increasing its share of global US FDI from 4.1 percent to 5.2 percent. Singapore is expected to continue to be by far the most important host of US FDI in the region at over 50 percent of the total.

Hence, ASEAN's economic importance to the US market is expected to grow significantly over time in absolute terms and to some degree in relative terms, even in the context of rising globalization. The changing importance of the United States to ASEAN, however, presents a different story: it continues to be a key market for ASEAN exports and a source of FDI, but is expected to become less so over time. In 2010, 16 percent of ASEAN exports went to the United States but this figure is expected to fall to 11 percent by 2025. The share of the United States in the stock of FDI in ASEAN also came to 16 percent in 2010, but is anticipated to fall to 14 percent by 2025.

In short, economic links between the United States and ASEAN are important to both sides, with the size asymmetry declining somewhat over time.

⁴ <http://www.worldbank.org/en/country/vietnam/overview>.

Table 1. ASEAN Growth, 2010-2025

	2010			2025			Growth Rate (%)
	Population (m)	GDP (US\$b)	GDP/cap (US\$)	Population (m)	GDP (US\$b)	GDP/cap (US\$)	
ASEAN	584.8	1,532	2,620	661.4	3,766	5,694	6.2
Brunei	0.4	11	27,277	0.5	19	38,767	3.8
Cambodia	14.1	12	826	14.1	38	2,688	8.2
Indonesia	232.6	550	2,367	262.2	1,549	5,909	6.3
Lao PDR	6.2	6	989	6.2	19	3,066	7.8
Malaysia	27.9	207	7,424	33.6	431	12,841	2.8
Myanmar	48.0	21	431	48.0	76	1,579	9.0
Philippines	93.9	163	1,734	116.6	322	2,757	2.8
Singapore	4.8	202	42,587	5.2	415	80,339	2.7
Thailand	68.3	266	3,896	71.5	558	7,803	3.8
Vietnam	88.7	94	1,060	103.6	340	3,281	7.1
United States	310.1	14,050	45,304	349.1	20,273	58,066	2.5
China	1340.7	4,850	3,617	1425.7	17,249	12,099	8.8
Japan	127.5	4,250	33,332	120.4	5,338	44,319	1.5
Europe	499.9	16,629	33,265	501.4	22,714	45,305	2.1
Others	3994.4	17,133	4,289	4866.6	33,882	6,962	4.7
World	6857.5	58,445	8,523	7924.7	103,223	13,025	3.9

Source: Petri and Plummer (2014), Table A1.

Table 2. ASEAN-US Trade and Investment, 2010-2025

	ASEAN	Indonesia	Malaysia	Philippines	Singapore	Thailand	Vietnam	Others
US exports to partner								
Value 2010 (US\$mill)	81,484	10,161	12,600	9,809	30,486	14,054	3,674	699
% of US exports	5.3	0.7	0.8	0.6	2.0	0.9	0.2	0.0
% of partner imports	9.5	6.6	8.1	11.8	16.1	7.7	5.0	4.1
Value 2025 (US\$mill)	152,303	28,675	21,456	15,954	38,939	35,711	9,714	1,854
% of US exports	5.4	1.0	0.8	0.6	1.4	1.3	0.3	0.1
% of partner imports	7.9	6.2	7.1	9.6	14.2	7.9	4.3	4.3
US imports from partner								
Value 2010 (US\$mill)	152,981	25,306	36,281	14,699	27,260	28,755	17,146	3,533
% of US imports	7.2	1.2	1.7	0.7	1.3	1.4	0.8	0.2
% of partner exports	16.3	12.5	17.4	13.8	10.8	12.7	19.5	14.2
Value 2025 (US\$mill)	226,720	49,704	35,747	21,617	17,451	43,992	50,239	7,969
% of US imports	6.6	1.5	1.0	0.6	0.5	1.3	1.5	0.2
% of partner exports	11.2	8.3	8.6	9.9	4.8	7.8	17.5	12.4
US FDI stock in partner								
Value 2010 (US\$mill)	142,969	14,271	16,228	4,610	95,587	11,635	605	33
% of US outward FDI	4.1	0.4	0.5	0.1	2.8	0.3	0.0	0.0
% of partner inward FDI	16.4	10.2	19.1	16.7	21.0	9.1	2.8	0.3
Value 2025 (US\$mill)	452,316	61,066	53,824	13,395	284,597	36,549	2,795	89
% of US outward FDI	5.2	0.7	0.6	0.2	3.3	0.4	0.0	0.0
% of partner inward FDI	13.6	8.4	17.5	16.2	18.2	7.7	2.4	0.1
Partner FDI stock in US								
Value 2010 (US\$mill)	22,957	143	509	159	21,116	1,018	12	0
% of US inward FDI	1.0	0.0	0.0	0.0	0.9	0.0	0.0	0.0
% of partner outward FDI	5.3	2.6	0.7	2.5	7.8	4.3	2.1	0.0
Value 2025 (US\$mill)	68,885	612	1,689	461	62,868	3,199	56	0
% of US inward FDI	1.4	0.0	0.0	0.0	1.3	0.1	0.0	0.0
% of partner outward FDI	3.1	1.4	0.4	1.5	4.7	2.2	1.5	0.0

Source: Petri and Plummer (2014), Table A2.

III. ASEAN ECONOMIC COOPERATION: FROM THE BANGKOK DECLARATION TO MEGA-REGIONALISM

ASEAN was established by the ASEAN (Bangkok) Declaration in 1967 with five non-communist founding member countries: Indonesia, Malaysia, the Philippines, Singapore and Thailand. It began as a diplomatic initiative with the goal of promoting stability at a volatile time in the history of East- and Southeast Asia, which had just experienced a civil war in Indonesia, confrontation between Indonesia and Malaysia (*konfrontasi*), territorial disputes between Malaysia and the Philippines in Borneo, the Cultural Revolution in China, and the war in Vietnam. When ASEAN Heads of State met at the first ASEAN Summit in early 1976, a united front against the communist

threat was considered essential and led to the ASEAN Concord and the ASEAN Treaty of Amity and Cooperation. But over the next decade, the Southeast Asian political environment turned much more constructive with the gradual decline of regional conflicts, reform in China and Vietnam, and the end of the Cold War. The stage was set for closer economic cooperation.

In the post-war context, the first mission of ASEAN was enlargement to include all of Southeast Asia. The first expansion included the small, newly independent country of Brunei Darussalam in 1984. The second, Vietnam, took longer. But in the mid-1980s, Vietnam took a sharp turn toward pragmatism – it adopted the *doi moi* programme of market-oriented reforms in 1986, began to withdraw from Cambodia in 1989, and signed the ASEAN Treaty of Amity and Cooperation in 1991. The United States also facilitated this shift by lifting its trade embargo on Vietnam in 1994 and Vietnam joined ASEAN in 1995, formally signalling a new era for ASEAN.

In the mid-1990s, ASEAN negotiated the accessions of Cambodia, Lao PDR, and Myanmar, despite the political and economic challenges involved (for example, the United States opposed the expansion to include Myanmar). All joined by 1999. It now includes all of Southeast Asia, with the exception of Timor-Leste (which, however, is an observer country to ASEAN and could well join in the near future).

In terms of economics, enlargement took place *pari passu* with deepening of intra-regional integration. An early ASEAN Preferential Trading Agreement (PTA) was signed in February 1977. The PTA was very shallow and, indeed, did not have much of an effect on trade. Agreements on trade, FDI and other forms of industrial cooperation were unambitious because they were deemed far less important than diplomatic initiatives. It was not until the end of the Cold War and the rise in Asia-Pacific cooperative “competition” – e.g., via the creation of the Asia-Pacific Economic Cooperation (APEC) group, established in 1989 – that economics started to become a priority. The creation of AFTA in 1992 signalled an important turning point, especially since many pundits believed that, with the communist threat now a thing of the past, ASEAN would become increasingly insignificant. AFTA was a clear message that this would not be the case. AFTA is now essentially fully implemented, after a long transitional period. Cooperation has been further expanded with the ASEAN Investment Area in 1998 and the ASEAN Comprehensive Investment Agreement in 2012.

The greatest milestone in the history of economic cooperation in Southeast Asia was marked by the AEC, which was formally established in December 2015. The original AEC Blueprint, which fleshed out the objectives and measures needed to create the AEC, was approved by the ASEAN leaders in November 2007⁵ and defined four goals: (1) a Single Market and Production Base, based on the free flow of goods, services, investment, and skilled labour, and freer flows of capital; (2) a Competitive Economic

⁵ <http://asean.org/wp-content/uploads/archive/5187-10.pdf>.

Region, based on commitments to competition policy, consumer protection, protection of intellectual property rights, infrastructure development, e-commerce, and avoidance of double taxation; (3) Equitable Economic Development, based on a strategy to close development gaps; and (4) Integration into the Global Economy, based on enhanced participation in the global trading system (Plummer and Chia 2009). The ASEAN Blueprint also established “scorecards” to measure implementation progress, though the effectiveness of these scorecards has sometimes been questioned.⁶

When the ASEAN leaders declared success in creating the AEC in December 2015, they were fully cognizant of the fact that much remained to be done. Still, the same was true of the European Single Market, which was due to be completed at the end of 1992 but took many more years to implement fully (in fact, integration in certain sectors, such as energy, continues to be incomplete). Just before the declaration, ASEAN launched the AEC Blueprint 2025⁷, which outlined how the region would continue to deepen cooperation after the establishment of the AEC. In fact, liberalization of non-tariff barriers to trade (NTBs) have proven particularly difficult to address and continue to constitute serious impediments to intraregional trade and FDI, even though they were supposed to have been eliminated by 2012 for the original five ASEAN countries and Brunei (2018 for the transitional ASEAN economies). In addition, there continue to be problems associated with the implementation of the ASEAN Single Window – though it has made considerable progress – other forms of trade facilitation, technical barriers, trade logistics, and services liberalization, particularly for the transitional economies.

Because even an integrated ASEAN would still be a small economy compared to many of its trade partners – as noted in Table 1, even after growing a projected 6.2 percent per year through 2025, ASEAN GDP will only be 4 percent of the world total and only one-fifth that of the United States – the region needs to build stronger relationships with other economies in Asia and the West. These external integration efforts cannot wait until internal integration is complete, but are proceeding in parallel. As a result, the external trade policies of ASEAN members are not closely integrated. As an FTA rather than a customs union, ASEAN cannot set common tariffs. ASEAN’s trade agreements with other partners (commonly referred to as ASEAN-Plus agreements) are mainly collections of bilateral negotiations, often conducted in parallel, with little exchange of information. In fact, many members have independently forged accords with nonmembers.

ASEAN’s external integration efforts have proceeded in two major phases. The first focused on external relationships based on ASEAN-Plus FTAs with partners mainly in Asia, but extending beyond Asia as well. The second phase, now underway, involves two major regional cooperation initiatives, one spanning the Asia-Pacific region (TPP),

⁶ See a review of the discussion in Chia and Plummer (2015).

⁷ http://asean.org/?static_post=asean-economic-community-blueprint-2025.

and another among Asian economies (Regional Comprehensive Economic Partnership, or RCEP).

The most ambitious of these trade agreements is the TPP, in which several ASEAN economies played an important role from the beginning even if ASEAN itself was not involved in the negotiations. To promote faster progress in terms of concerted regional liberalization, four small APEC economies – Brunei, Chile, Singapore, and New Zealand – developed a high-quality FTA (the Trans-Pacific Strategic Economic Partnership agreement), to which they hoped to attract other APEC countries. Several countries agreed to join in 2008, including the United States, and by the time an accord was reached in October 2015 (signed in February 2016) it had 12 member-countries. Four ASEAN members – Brunei, Malaysia, Singapore, and Vietnam – signed the agreement, while three others – namely, Indonesia, the Philippines, and Thailand – have expressed interest in acceding at some point.

The TPP is a modern, comprehensive, “21st Century Agreement,” with an ambitious set of deep integration measures, from elimination of tariffs and NTBs to intellectual property protection, competition policy, cumulation of rules of origin, and even labour and environmental standards.⁸ The potential economic effects of the TPP are estimated to be large (Petri and Plummer 2016); ASEAN members are expected to be among the biggest winners, especially Vietnam and Malaysia.

However, when President Trump pulled out of the TPP, he essentially killed the agreement in its present form. This is because of the entry-into-force requirement in Chapter 30 of the agreement mandating that at least six countries, constituting 85 percent of TPP GDP, join in order for the agreement to move forward. Since the United States alone constitutes 60 percent of TPP GDP, per force it has to be one of the six (as well as Japan). Nevertheless, at present the remaining 11 member-economies are considering a slight revision in the agreement to allow for its implementation without the United States, and negotiations in this regard have already begun (now being called “TPP11”).

Along with trans-Pacific negotiations, there have been East Asian initiatives, most notably the Regional Comprehensive Economic Partnership (RCEP) agreement. The RCEP was created in November 2012 as an “ASEAN-centric” organization with membership that includes all countries with a bilateral FTA with ASEAN in effect (indeed, an FTA in place with ASEAN is a precondition for candidacy). Thus, in addition to the 10 ASEAN economies, it includes China, South Korea, Japan, India, Australia and New Zealand. It held its 18th round of negotiations in May 2017 with a goal of completing negotiations by the end of 2017. RCEP has missed deadlines in the past – for example, it had an original deadline of end-2015 – but it is likely that the failure of the TPP will improve the prospects that the RCEP will be finished soon, for the seven TPP members

⁸ For a detailed evaluation of the agreement, see Cimino-Isaacs and Jeffrey J. Schott (2016).

in RCEP could well see the need to continue to push the regional integration process forward with more vigour.

The objectives of RCEP are similar in many ways to the TPP's, that is, to create a region in which goods, services, FDI, and skilled labour would flow freely, but with greater "flexibility", i.e., an ambitious, comprehensive FTA but with fewer disciplines particularly with respect to rules vis à vis developing economies and product and sectoral coverage.

The TPP and RCEP "mega-regional" agreements have the potential to transform not only intra-regional trade in the Asia-Pacific but, given their size and ambitions, the global trading system itself. Indeed, some chapters in the TPP negotiations, e.g., with respect to intellectual property rights, disciplines on state-owned firms, and rules governing the digital economy, are already being identified as possible industry standard-setters. They could well become so if the TPP11 moves forward. The mega-regionalism trend in the Asia-Pacific is also leading to "competitive liberalization" globally. For example, the proposed Trans-Atlantic Trade and Investment Partnership (TTIP) and EU-Japan FTA negotiations reflect in part a concern in Europe that they are being excluded from the process.

IV. A FRAMEWORK FOR US-ASEAN ECONOMIC RELATIONS

In Section II, we underscored that the US-ASEAN economic relationship is an important one for both sides: the United States presents the largest economic market in the world and has been an important destination for ASEAN's exports and source of its imports, as well as a provider of FDI; this dominance is expected to fall over time but the US market will nevertheless continue to be critical to ASEAN. Southeast Asia, on the other hand, will continue to be relatively small as a market for the United States but growth rates suggest that it will become increasingly important over time. Coupled with the rising trend in regionalism, arguably no time in recent history has been more propitious for deepening US-ASEAN economic relations.

Still, despite the history of ASEAN-US cooperation noted above, there is no clear conceptual framework to guide interactions between the two economies in the emerging regional and global commercial environment. But economics suggests a solution – an approach that permits deep, selective ties, subject to the requirement that those ties also benefit third parties. In the ASEAN context, this prescription calls for deep FTAs with member countries prepared to meet those obligations, and parallel measures to strengthen relations with ASEAN as a whole. The United States has, in fact, begun to follow such a two-speed approach. Conceptually, ASEAN-US cooperation should:

- (1) *Maximize cooperation with ASEAN members having the capacity for deep economic and investment relations with the United States.* Some members could join in a comprehensive bilateral FTA with the United States (as Singapore has

done), or this could be accomplished through comprehensive regional accords such as the TPP or the Free-Trade Area of the Asia-Pacific (FTAAP), an APEC-backed proposal for a comprehensive FTA to begin negotiations in 2020 or at a later date (which is more likely, given the position of the Trump Administration on regional accords). Shallower FTAs like the RCEP could be used as an intermediate approach to help less-developed ASEAN members prepare for a deeper relationship with the United States, either bilaterally or regionally.

- (2) *Support ASEAN economic integration.* The AEC is the most ambitious regional cooperative initiative in the developing world and it has made considerable progress, but much more remains to be done to create a truly integrated ASEAN market. The United States can continue to partner with ASEAN in achieving this goal, which will not only benefit ASEAN but also the United States by reducing the costs to exporting and facilitating FDI and US-led supply chains.
- (3) *Ensure, along with ASEAN partners, that new agreements close development gaps.* As noted above, ASEAN is one of the most diverse regional organizations in the world and the distribution of income, technology, and resources is skewed considerably. Reducing “development gaps” is a major ASEAN priority, as indicated by the emphasis on creating an “equitable economic region” as one of the four pillars of the AEC. The United States can continue to work with ASEAN on reducing these gaps via technical and development assistance.

An especially successful example of this partnering is provided by US support for economic reform in Vietnam. After Vietnam launched its *doi moi* programme and withdrew from Cambodia, the United States established diplomatic relations in 1995 and, together with the World Bank, deepened its support for Vietnamese reform. Eventually, it concluded the US-Vietnam Bilateral Trade Agreement (BTA), which went into effect in December 2001. Although not an FTA per se, the BTA did address key issues that improved access to US markets and helped Vietnam prepare for accession to the WTO. The United States provided technical assistance through the “Support for Trade Acceleration” (STAR) project. The results were very positive: Vietnam was one of the poorest countries in the region in the 1990s, but reached middle-income status by 2012; its trade-to-GDP ratio at 155 percent is only second to Singapore in ASEAN; and Vietnam is now an important US trading partner.

Developing an effective trade policy will make clear that the United States is not asking ASEAN to choose between Asian partners, including China, and the United States. Certainly, countries do not have to choose between RCEP and TPP. The RCEP will help to bring barriers down, and could contribute to building a better trading system that encompasses all Asian economies.

The TPP itself was designed to support these goals. It includes provisions that will be accessible to all reform-minded economies, which is one reason why the TPP11

could well move forward without the United States. It focuses largely on provisions that help create a level playing field – e.g., with respect to engagement of state-owned enterprises – to promote competition on the basis of economic efficiency, rather than adding rules that require specific governance or business systems. When Chapter 30 is revised under TPP11, it can include an accession clause that makes it easy for new economies to join and, perhaps, identify future accession windows that make the process more predictable. It could be that the United States will choose to accede through this accession window at a later date.

Trade policy initiatives can be reinforced by other initiatives to strengthen connections between ASEAN and the United States. In technology, education, and culture, the United States remains the most prominent partner of ASEAN economies and their citizens. Deeper political, economic, cultural, and scientific ties would be welcomed by the peoples of ASEAN and the American public, and initiatives could support efforts to enhance the visibility of the partnership.

V. CONCLUDING REMARKS

In sum, the US-ASEAN economic relationship is strong and growing, and continues to have much potential. Mega-regionalism in the Asia-Pacific region is reshaping to some degree the potential of that relationship, and the leaders of the United States and ASEAN countries will have to find the best path forward. While the TPP presented an important opportunity to move forward in deepening links with the four ASEAN parties involved in the TPP negotiations – and in the short term, others who may have acceded – and to take the two-track approach suggested above, the decision by the new US Administration to withdraw from that agreement obviously changes the calculus of how to move forward, at least in the short term.

In the meantime, there is a high probability that RCEP and the TPP with a smaller configuration of member-economies – either TPP11 or even fewer economies – will be concluded within the next two years. Rather than reaping significant gains from the TPP, the United States will now have to suffer trade diversion from these accords. Moreover, given that the United States played such a prominent role in leading the TPP and it was perceived in the region as an indication of its commitment to strengthening ties, its leadership credentials have taken a hit.

Hence, the United States will need to devise an alternative strategy to engaging with ASEAN in the short run. As noted above, there are several ways that the United States can do this, e.g., via development assistance and technical expertise that can promote trade and FDI reform and render the region more competitive. Now that US participation in the TPP is off the table, it might also try to re-engage via comprehensive bilateral FTAs, as was attempted during the Bush Administration under the EAI. While the exigencies of 21st-century economic integration argue that regional approaches to

economic cooperation make a great deal more sense – e.g., due to the need for cumulative rules of origin to support production networks, consistent regulatory rules, and the like – the Trump Administration has suggested that it may be interested in a bilateral approach. The only country in Asia which has been slated as a candidate for a bilateral FTA at this point is Japan, but certain ASEAN countries may emerge as candidates.

The Trump Administration has not yet revealed a strategy for engaging ASEAN. Hopefully one will be forthcoming that will actively support ASEAN economic integration and find novel approaches to economic cooperation between the United States and ASEAN, which may involve revisiting the potential for a bilateral (EAI-type) approach in the short run. But in the medium-long term, it behoves the United States to participate together with ASEAN as key partners in the Asia-Pacific mega-regionalism movement.

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