

Views From the Region: APEC, ASEAN Summit, and EAS Readout

November 20, 2017



INTRODUCTION

The Asia Pacific Economic Cooperation, Association of Southeast Asian Nations, and East Asia Summits saw political leaders reaffirm free trade and closer regional cooperation, amid global nationalistic and protectionist trends. A highlight was the TPP-11 agreeing to move forward with the agreement without the US, with the expectation that it could conclude in early 2018.

The US with its America First messages came across as isolated, even as President Donald Trump reaffirmed the U.S.' commitment to regional security cooperation and institutions. Although he hinted at a new strategy for the "Indo Pacific", he did not elaborate on what it would look like.

China in contrast was seen to continue its systematic charm offensive with ASEAN, aligning its initiatives with ASEAN priorities on connectivity and digital economy. Of note, China and ASEAN announced they would work toward an ASEAN-China Strategic Partnership Vision 2030, and begin talks on the South China Sea (SCS) Code of Conduct (COC) next year.

In Southeast Asia, President Trump's actions were closely watched for signs of increased personal focus on key issues. With the US the only strategic counter-weight to China, many countries will likely adjust to new U.S. priorities. The erratic shifts in U.S. Asia policy over time will however only hurt US credibility amid China's steady advance.

Vriens & Partners' country offices in Hanoi, Manila, Singapore, Jakarta, Kuala Lumpur, Bangkok, and Yangon have prepared the following piece to provide a view from the region on how geopolitical and domestic dynamics played out in recent multilateral and bilateral engagements.

NATIONAL PERSPECTIVES

VIETNAM

Vietnam is likely to view its hosting of the APEC summit as a success in the face of unfavorable geopolitical headwinds stemming from US President Donald Trump's America First policy. Trump's attendance, coupled with a subsequent state visit to Hanoi, will have eased Vietnamese fears that the Trump administration has downplayed US relations with Vietnam—neither stop had been a foregone conclusion, much to the concern of Vietnamese diplomats.

For the meeting with Vietnamese President Tran Dai Quang, Vietnam armed President Trump with US\$12 billion in new trade deals focused largely on energy and aviation. For his part, Trump urged Vietnamese officials to purchase more American military equipment and offered to mediate Vietnam's territorial disputes with China. Trump's lavish praise on Chinese President Xi Jinping during his preceding state visit to China may make the offer of mediation a harder sell with the Vietnamese, who have reoriented Vietnam-China relations around Communist Party ties since Vietnam's leadership shuffle in early 2016.

Despite exuberant press coverage—in Vietnam and abroad—about the announcement of an agreement between the 11 remaining partners in the Trans-Pacific Partnership on the sidelines of

APEC, Vietnamese government officials conceded that the substance of the accord is relatively limited now that Trump has ended US participation. With a rising China on Vietnam's northern doorstep and few other avenues of economic hedging, Hanoi is taking the long view and hoping that the US may rejoin the agreement at a later stage.

THE PHILIPPINES

For the Philippines, this year's ASEAN summit generated serious questions about how President Duterte's pivot toward China would affect his multilateral and bilateral engagements. Attention was particularly focused on the meeting between Presidents Duterte and Trump; following Duterte's scaled-down rhetoric against the US, the meetings were largely amicable and uneventful. Duterte showcased his diplomatic abilities—doubted by some due to his background in local politics—and a capacity for moderation. This trend toward restraint and pragmatism has likewise been reflected in his recent management of domestic affairs, including his moderated rhetoric and selection of experienced career bureaucrats to fill gaps in his Cabinet.

The Philippines can also claim to have threaded the needle on disputes in the South China Sea. Under the Philippines' watch, China and ASEAN concluded a framework agreement on a code of conduct to deal with disputes. The framework agreement does advance discussions between China and ASEAN on the issue, giving Duterte ammunition to counter accusations of ineffective leadership. On the other hand, experts see the framework as a delaying tactic by China that creates no real obligations for China and fails to define any concrete parameters for dealing with territorial claims. But what the outcome does do is give Duterte the ability to preserve Beijing's good graces and continued access to Chinese capital, which is critical to his administration's ambitious agenda for public infrastructure.

Philippine officials did express some disappointment at the failure to conclude an agreement on the Regional Comprehensive Economic Partnership during the Philippines' tenure as ASEAN chair. Sources at the Department of Trade and Industry believe that Singapore as the incoming ASEAN chair has less economic interest than the Philippines in concluding the trade deal, which would link ASEAN with Japan, China, India, South Korea, Australia, and New Zealand. Nonetheless, there is optimism that the groundwork negotiations completed under Philippine chairmanship can lead to an agreement in 2018.

SINGAPORE

Singapore's expectations of the US were measured going into the summits, and the US neither surprised nor disappointed. President Trump seemed to say all the right things on US commitments to regional security co-operation, but his economic message of favoring bilateral deals rather than multilateral agreements did not sit well. Singapore has long advocated a strong US role in the region's trade architecture, in part to ensure that the US can help shape rules and act as a counterweight to China. So, while Trump's economic message was not unexpected, there is expectation that US Asia policy will remain adrift for some time to come.

Trump's detached view of Asia, removing the US as a counterweight to a rising China, has complicated Singapore's relations with China. But as host of ASEAN summit in 2018 and its role as ASEAN-China Country Coordinator, Singapore is expected to leverage the positive momentum from Prime Minister Lee Hsien Loong's September visit to Beijing to keep ASEAN-China relations on an even keel. Maintaining cordial relations also makes domestic political sense given pressure from the Singapore business community, which is heavily invested in China. China too may hope that warmer relations generated in part from Lee's warm reception in Beijing will make Singapore more cooperative on thorny issues such as the South China Sea.

Within ASEAN, Singapore will seek to rejuvenate and modernize the economic integration agenda with a focus on the digital economy, which aligns with its "Smart Nation" strategy and creates space for expanding market opportunities for Singapore companies and generating economic growth at home.

Despite fears in Manila, Singapore is also expected to push for agreement on the Regional Comprehensive Economic Partnership, and lead development of an ASEAN E-Commerce Agreement. The e-commerce agreement, although non-binding, could be important in setting the tone on issues like data localization and digital taxation in Southeast Asia.

INDONESIA

Indonesia came to the summits with a desire to attract investment rather than push any major regional initiatives. President Joko Widodo made a priority of his maritime agenda, which has become a catch-all for efforts to drive economic growth through regional connectivity, stability, and security. President Widodo was accompanied by the country's top deal-makers, including senior ministers, and several influential businessmen seen as probable supporters of the president's 2019 reelection bid.

Indonesia continued to try to position itself somewhere between China and the US, underlining its pragmatic approach to attracting investment. In its view, US protectionism and China's rise has brought uncertainty to the region, and Indonesia reiterated its desire to balance growth and equity in its own way. Such a posture allows Indonesia to attract investment while avoiding ideological entanglements. Indonesia kept geopolitics behind a veil of formalities—praising President Trump and expressing general support for US investment and regional security assistance while subtly pushing against China by calling for a code of conduct agreement in the South China Sea.

Displaying broader skepticism about regional coordination, Indonesia expressed surface-level commitment to free trade while falling back on its usual lack of any commitments. Fresh off a state visit from South Korea's President Moon Jae-In, President Widodo called for improved ASEAN trade with South Korea and India, as well as the finalization of the China-led Regional Comprehensive Economic Partnership. It also used the APEC summit to meet with Australian officials. The two countries are aiming to finalize a free trade agreement by the end of the year.

MALAYSIA

Prime Minister Najib Razak used the summits as platforms to solidify his political position ahead of an election, largely through by burnishing his image of a champion and defender of Islam and a leader respected by international peers. On the first count, Najib continued efforts to resolve the Rohingya humanitarian crisis, notably taking credit for the Myanmar government's apparent easing of restrictions on medical access and aid. While largely posturing on Najib's part, Aung San Suu Kyi is known to take Najib's views on the issue into account and, despite previous clashes, did not object to being positioned next to him for official photos.

As part of Malaysia's balancing act between the US and China, Najib also sought to hedge his recent high-profile engagement with President Trump. The state-run media highlighted his statement that China is committed to reducing tensions in the South China Sea and guaranteeing freedom of navigation in disputed waters. At both summits, Najib focused on investment, notably on fostering competition between Japan and China on financial support for the domestically popular high-speed rail project between Singapore and Kuala Lumpur.

THAILAND

Thailand's continued inward focus was on full display at this year's APEC summit. Whereas past Thai administrations used the summit as a platform to showcase the country's prowess as a regional leader in diplomacy and trade, Prime Minister Prayut Chan-o-cha preferred to use it as a venue to attract investors. While Prayut did espouse support for greater economic co-operation—particularly with key trading partners Japan and South Korea—and sustainable growth based on food security and green initiatives, most of his energies were spent on promoting the government's "Thailand 4.0" economic

agenda. These efforts entailed the detailing of attempts to create a digital-savvy workforce, the expansion of existing industrial estates on the eastern seaboard, and support to startups.

The lack of diplomatic grandstanding coupled with the investment push is directly related to domestic concerns that the country is falling behind its neighbors in terms of economic growth. It's a concern that Prayut will have to address in his final year in office, particularly should he wish to contest the long-promised general election tentatively slated for next year.

MYANMAR

In recent diplomatic engagements, State Counsellor Aung San Suu Kyi has prioritized damage control with regional partners following the humanitarian crisis in Rakhine, as evidenced by her attendance at the full suite of Asia-Pacific summits and forums. In contrast, during the height of the crisis, she delegated Myanmar's attendance at the United Nations General Assembly to Vice President Henry Van Thio.

The Rakhine crisis was not on the public agenda, perhaps unsurprising given ASEAN's principles of non-interference. The low public profile helped dampen domestic frustrations about a perceived international bias against Myanmar. But bilateral engagements with key partners did touch on the crisis. A Filipino official said Aung San Suu Kyi assured ASEAN leaders that Myanmar would implement the recommendations of the Kofi Annan Commission on Rakhine. She also discussed the Rakhine crisis with US Secretary of State Rex Tillerson and held an overdue meeting with UN Secretary General Guterres. Finally, the announcement by Japanese Prime Minister Shinzo Abe of US\$1 billion for reconstruction in Rakhine represented a continuation of Japan's development-oriented strategy of engagement with Myanmar even after the crisis in Rakhine. It will be a boost to Myanmar's efforts to resolve the crisis and advance the peace process through development.

Following the summits, Aung San Suu Kyi sought to build on the momentum during Tillerson's November 15 visit to Myanmar. The visit, which included a news conference with Aung San Suu Kyi, saw Tillerson rule out broad economic sanctions against Myanmar and reiterate US government support for Myanmar's democratic transition.