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The 32nd ASEAN Summit's Economic Priorities and Implications for US-ASEAN Economic Relations

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The Summit's Economic Priorities for ASEAN

The leaders of the ten member countries of the Association of the Southeast Asian Nations (ASEAN) gathered at the 32nd ASEAN Summit in Singapore from April 25th - 28th, 2018 under the theme of "Building a Resilient and Innovative ASEAN." Among the economic cooperation priorities agreed to were the continued advancement of the ASEAN Economic Community (AEC), pursuit of the Regional Comprehensive Economic Partnership (RCEP), and establishment of an ASEAN Smart Cities Network (ASCN).

These agreed outcomes are steps in the right direction concerning regional integration. Although AEC — aimed at transforming the region into a single market and production base — was officially established in December 2015, more work is needed in areas such as trade facilitation and services liberalization. Another outcome was continued pursuit of RCEP, a trade mega-deal among ASEAN and its six dialogue partners (i.e. Australia, China, India, Japan, New Zealand, and South Korea) proposed to consolidate the existing ASEAN+1 free trade agreements (FTAs) to tackle a "noodle bowl" problem. If successfully concluded, it will encompass 45 percent of the world's population and one-third of the world's GDP.

Proposed by the Singapore Chair, ASCN is an initiative to foster smart and sustainable urban development. Recognizing that digital technologies have weaved their way into the economy and people's lives, this program is aimed at leveraging technology to improve quality of life in increasingly urbanized Southeast Asia. The ASCN will cut across several sectors (e.g. transport, environment, and healthcare) and can in the future be applied beyond the 26 pilot cities. The initiative also holds the potential to improve life even in remote areas, for example, smart sensors installed in households send consumption data to the power distribution centers, enabling the latter to better distribute electricity and avoid power shortages. ASCN can help accomplish the AEC 2025's goal of "A Resilient, Inclusive, People-Oriented, and People-Centered ASEAN."

Beyond living standard improvements, ASCN can enable businesses to better participate in transnational production networks, helping to achieve another AEC 2025 objective of "A Competitive, Innovative, and Dynamic ASEAN." For example, Singapore's Intelligent Transport System feeds in real time traffic data to alert commuters of accidents on major roads. Although the immediate beneficiaries are drivers and motorists in the city-state, the system facilitates trade. The data enable truck drivers to avoid congested routes or accidents and deliver cargo to the ports on time, increasing businesses' participation in the global supply chains.

Kaewkamol Karen Pitakdumrongkit, Visiting Fellow at the East-West Center in Washington, explains that "The economic priorities agreed to at the 32nd ASEAN summit can be seen as parts of the regional states' efforts to enhance their economic cooperation in the 'America First' era."

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The Future of US-ASEAN Economic Relations

The economic priorities agreed to at the 32nd ASEAN summit can be seen as parts of the regional states' efforts to enhance their economic cooperation in the "America First" era. The fact that the US' Indo-Asia-Pacific Strategy has not been clearly articulated elevates the importance of regional integration as the nations turn to rely more on the combined size of regional economies as a means for further liberalization.

However, it is wrong to think that Southeast Asia's economic integration will leave little room for the United States to participate. The development of its regional economic architectures has been based on the principle of "Open Regionalism" which embraces an open system and regards regional arrangements as building blocks for wider economic integration. According to the ASEAN Leaders' Vision for A Resilient and Innovative ASEAN adopted at this Summit, "ASEAN shall keep our markets open and competitive, deepen economic integration . . . [and] forge high quality and mutually beneficial economic agreements with external partners. . . to strengthen resilience against rising protectionism and global volatilities." Such commitment has been reflected by RCEP, other FTAs and Comprehensive Economic Partnerships (CEPs) among individual ASEAN members and their extra-regional partners, and the engagement of non-ASEAN countries in several programs such as the Master Plan for ASEAN Connectivity 2025.

As the door will not be closed for Washington, American policymakers have to think how to further engage their fourth-largest trading partner to reap the benefits of the latter's combined GDP of more than \$2.4 trillion and market of 632 million people. There exist several ways to do so. First, the United States can participate in the ASEAN Smart Cities scheme as more than half of the ASEAN population do not have access to basic Internet services. With their comparative advantage in digital technology, U.S. policymakers should encourage American firms to build such infrastructure. Also, cooperation under the US-ASEAN Connect Initiative created in 2016 should be further enhanced. Moreover, Washington should rely more on American research institutions to provide inputs helpful for its decision-making process. Furthermore, regular Track 1.5/2.0 dialogues between American and ASEAN academic and think tank communities should be developed and enhanced. These platforms can be used to discuss issues too sensitive to be raised at the Track I (government-to-government) level. This would enable both Washington and Southeast Asian countries to test ideas and explore optimal solutions before forwarding them for consideration in the inter-government talks.

Southeast Asia's transnational supply chains have been deepening and regional efforts at economic integration have been increased as reflected in the announcements of the 32nd ASEAN Summit. There is still room to expand US-ASEAN trade and investment as well as other forms of commercial interaction. Washington should speed up its effort to roll out programs enhancing such economic ties. Doing so could help the United States reap more benefits from the world's most dynamic economic region.

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