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The Trump Administration and Southeast Asia: America’s Asia Policy Crystallizes

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EXECUTIVE SUMMARY

- Vice President Mike Pence’s trip to the Asia-Pacific in November demonstrated that after two years in office the Trump administration’s Asia policy has crystallized.
- The central organizing principle of the administration’s Free and Open Indo-Pacific (FOIP) concept is full-spectrum strategic competition with China.
- America’s defence and economic policies are increasingly being harnessed to counter Beijing’s growing political influence, provide alternatives to its Belt and Road Initiative and push back against Chinese assertiveness in the South China Sea.
- Southeast Asia will accrue some benefits from heightened US-China rivalry, but overall the prospect of increased contestation between Washington and Beijing challenges regional states’ core strategic interests and ASEAN centrality.

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INTRODUCTION¹

The Trump administration's handling of Asia's 2018 summit season followed the same script as the year before. As Secretary of State Rex Tillerson did in 2017, Vice President Mike Pence gave a major pre-trip foreign policy speech at a leading think tank in Washington D.C. outlining the Trump administration's Free and Open Indo-Pacific (FOIP) concept.² This was followed by a speech on the same theme at the APEC Summit by the leader of the US delegation to Asia. A "Quad" meeting of senior foreign affairs officials from the US, Japan, India and Australia was held on the side lines of the ASEAN-led East Asia Summit (EAS) to discuss shared Indo-Pacific interests.

Yet three key differences between this year and last reflect the Trump administration's development of the FOIP from a vague concept to a strategic approach to the region:

- Particularly at APEC this year, the Trump administration was able to announce some economic cooperation deliverables based on the Indo-Pacific Economic Vision set out earlier by Secretary of State Mike Pompeo.³
- Last year, then Secretary of State Rex Tillerson's Asia trip-framing speech focussed on the central role of the burgeoning US-India relationship in the FOIP concept. This year, to the discomfort of many Southeast Asian governments, Pence's speech focussed on the central organizing role of US-China strategic rivalry.
- President Trump skipped the EAS and APEC Leaders Meeting this year, sending Pence as his representative. His absence bolstered the view that Trump is not personally committed to US relations with Southeast Asia, APEC or ASEAN. The choice to send Pence (and not Pompeo) underlines the outsized influence of the Vice President on the Trump administration's approach to China in particular and the Indo-Pacific region in general.

The Trump administration's FOIP is very different from the Obama administration's "pivot/rebalance" to Asia (which also crystalized two years after Obama took office). The Obama administration's approach sought to reassure Southeast Asian states and ASEAN and avoid direct rivalry with China and the choices this would create for regional states and organizations. The Trump administration's approach does not and in fact puts competition with China front and centre.

THE FREE AND OPEN INDO-PACIFIC STRATEGY TAKES SHAPE

Vice President Pence's 11-day trip to Asia and the South Pacific allowed the administration to flesh out its FOIP strategy which President Trump had outlined at the 2017 APEC Summit. Even before Pence's trip, however, it had become increasingly clear that the FOIP's central organizing principle is full-spectrum competition with China, and providing the region with an alternative vision than the one being offered by the Chinese leadership, particularly President Xi Jinping's Belt and Road Initiative (BRI) which many have viewed as a long-term strategy to create a Sino-centric order in Asia.

In late 2017, the Trump administration identified China as a “revisionist power” and a strategic competitor that seeks to undermine the rules-based international order and displace America as the global hegemon.⁴ Over the course of 2018, and particularly in the second half of the year, the administration’s China policy hardened significantly, most notably when it threatened to apply tariffs on US\$250 billion of Chinese imports beginning in January 2019 unless the two countries could reach a trade deal that addresses America’s complaints (such as tariffs, currency manipulation, intellectual property theft and forced transfer of technology).

On 4 October, Pence delivered a hard-hitting speech on the administration’s China policy which some saw as the opening salvo in a “new cold war” between America and China.⁵ In it, Pence accused Beijing of using a “whole of government” approach to advance its own interests at the expense of America and other countries. He accused China of interfering in America’s domestic politics, pursuing unfair trade practices, using “debt diplomacy” to undermine the sovereignty of countries participating in BRI, aggression in the South China Sea and religious intolerance at home. The speech conceded that America’s five-decade policy of engagement with China had failed to liberalize the country and transform it into a “responsible stakeholder” and that a new approach was required.

In an opinion piece published before his Asia-Pacific trip, Pence pledged America’s “steadfast and enduring” commitment to the Indo-Pacific, a region that Washington envisages as one in which “sovereignty is respected, where commerce flows unhindered and where independent nations are masters of their own destinies”. And in a swipe at China, he asserted that the FOIP rested on three pillars: prosperity, with investment led by business and not government bureaucrats; security, including freedom of navigation and overflight; and transparent and responsive government, the rule of law and protection of individual rights, because “nations that oppress their people often violate their neighbors’ sovereignty. Authoritarianism and aggression have no place in the Indo-Pacific.”

It should be noted that the Trump administration’s criticisms of Beijing do not appear to be ideologically driven but are widely shared by the country’s two main political parties, the national security establishment and, critically, the business community which had long supported engagement with China. For instance, as Pence was in Asia, the bipartisan US-China Economic and Security Review Commission published a report highly critical of Chinese statecraft.⁶

During his trip to the region, Pence reiterated and elaborated on the administration’s criticisms of China, sometimes by naming it directly and at other times obliquely. At the US-ASEAN Summit in Singapore, Pence warned there was no place for “empire and aggression” in the Indo-Pacific region.⁷ At the APEC Summit, Pence’s speech explicitly contrasted America’s approach to the Indo-Pacific with China’s. America was, he said, “seeking collaboration, not control” and bilateral trade agreements based on “the principles of fair and reciprocal trade”. He chastised China’s BRI infrastructure projects as “unsustainable and of poor quality” that came with “strings attached and lead to staggering debt”. Unlike China, he asserted, America did not “drown our partners in a sea of debt”, didn’t “coerce or compromise your independence” or offer a “constricting belt or a one-way road”.

Pence acknowledged concerns that intensifying competition between the US and China might hurt the region's economic prospects and increase military tensions. He tried to reassure his audience that the US sought a better relationship with China “based on fairness, reciprocity, and respect for sovereignty”. However, he also warned that the US would “not change course until China changes its ways”.

DEFENCE COOPERATION AND CONTESTATION

Strengthening defence cooperation with regional states and pushing back against Chinese assertiveness in the South China Sea are key elements of the FOIP strategy. Pence's swing through the region provided the administration with an opportunity to report progress and announce new initiatives.

According to the administration, the US sold US\$9.42 billion worth of arms and provided more than US\$500 million in security assistance (more than double the previous year) to regional states over the past 12 months.⁸ At the APEC Summit, Pence announced that the US and Australia would jointly upgrade a naval base on Manus Island in Papua New Guinea (PNG). This project reflects concern in Washington and Canberra over China's growing influence in the South Pacific and speculation that Beijing is seeking to establish a military facility in the region. Earlier, in Singapore, ministers from the so-called “Quad”—US, Japan, Australia and India—had met on the sidelines of the EAS. The Quad is viewed by its members as a key forum for increasing defence cooperation so as to buttress the FOIP, but is viewed by China as a mechanism to contain it.

On the South China Sea, the Trump administration has stepped up pressure on Beijing to counter its militarization of the dispute. In May, the Pentagon disinvited the PLA-Navy from the biennial Rim of the Pacific naval exercises off Hawaii in response to reports that China had deployed anti-ship cruise missiles to its artificial islands in the Spratlys. At the US-China Diplomatic and Security Dialogue in November, the US called on China to remove its missile systems from those features.⁹ The US has also enhanced security cooperation with Southeast Asian countries through the Indo-Pacific Maritime Security Initiative which was originally established by the previous administration but which has had its funding increased and extended until 2024.

Since January 2017, the US Navy has conducted eight Freedom of Navigation Operations (FONOPs) in the South China Sea, half of them in 2018. Pence called his flight from Japan to Singapore—which passed close to China's manmade islands—a “freedom of navigation mission”.¹⁰ And in his APEC speech he reiterated America's commitment to upholding freedom of navigation in the South China Sea and that Chinese “harassment”—a reference to the Decatur incident in September 2018 when a PLA-Navy vessel almost collided with a US Navy destroyer—“will only strengthen our resolve”.

Although the US supports talks between ASEAN and China for a Code of Conduct (CoC) for the South China Sea, it insists that the final agreement must be acceptable to all stakeholders and guarantees maritime rights enshrined in the Law of the Sea. This is in response to a Chinese clause in the ASEAN-China single draft negotiating text for the CoC by which Beijing seeks to wield a veto over military exercises between the ASEAN states and other

countries in the South China Sea, and which is clearly aimed at undermining America's military relationships in the region.¹¹

ECONOMIC COOPERATION AND CONTESTATION

As with US defence policy, the Trump administration's economic policy under the FOIP is increasingly organized around strategic competition with China. The Trump administration is seeking to alter the terms of US-China trade and investment through unilateral means and cooperation with like-concerned member-states of the World Trade Organization (WTO).¹² At APEC, Pence warned that "We've put tariffs on \$250 billion in Chinese goods and we could more than double that number. But we hope for better. The United States though will not change course until China changes its ways."¹³ The latest review of Chinese trade practices by the Office of US Trade Representative released on 20 November concludes that China is doing the opposite of what the Trump administration wants.¹⁴ Due to disagreements between the US and Chinese delegations over trade, for the first time in its 25-year history, the APEC Summit failed to issue a final statement, a reflection of the depth and intensity of Sino-US economic contestation and its ripple effects on formal, inclusive regional cooperation.

On 1 November, the US Department of Justice announced a new 'China Initiative' that will "identify priority Chinese trade theft cases, ensure that we have enough resources dedicated to them, and make sure that we bring them to an appropriate conclusion quickly and effectively."¹⁵ The US-China Economic and Security Review Commission report in November was strongly critical of China's trade and investment practices and called for even tougher policy responses from the Trump administration.¹⁶

As with the Manus naval base announcement by Pence at APEC, the host PNG is an early beneficiary of the cooperative elements of the FOIP. On the side lines of the APEC meeting, the US joined with Japan, Australia and New Zealand to announce a joint project to significantly improve PNG's electricity grid. This follows from the agreement by private firms from the US and Japan to cooperate in financing an 'LNG to Power' project in Bangladesh.¹⁷

In early October, the US Congress passed the BUILD Act that creates a new US government development finance agency that will significantly boost the amount and predictability of the development financing resources of the US government. This will allow the Trump administration to contribute more to the 12 November 2018 agreement between the development finance agencies of the US, Japan and Australia to cooperate to "catalyze Indo-Pacific investment projects that produce quality infrastructure, increase connectivity, and promote sustainable economic growth".¹⁸

The economic cooperation elements of the FOIP framework do not seek to directly compete dollar for yuan with China's BRI. Rather, they seek to provide, in cooperation with Australia and Japan, an alternative while highlighting the problems for host countries of involvement in BRI. The US approach seeks to support private sector-led infrastructure financing, work cooperatively with other countries for joint financing, and improve host countries' capability to identify and avoid or mitigate risks associated with foreign infrastructure borrowing.

FOIP'S IMPLICATIONS FOR SOUTHEAST ASIAN STATES AND ASEAN

Heightened US-China rivalry has some benefits for Southeast Asian states. Much to China's annoyance, the US will continue to exercise freedom of navigation rights in the South China Sea which regional states are unwilling to do for fear of incurring Beijing's wrath. More US money for defence and economic cooperation in the region is also good, while US trade remedy measures against China, if sustained, may lead to investment displacement from China to Southeast Asia. As shown by the ongoing infrastructure financing competition between China and Japan in Southeast Asia, regional states can benefit by choosing both sides and playing one major power off against the other.

However, America's shift from cooperation to contestation with China—in an effort to change Chinese behaviour deemed inimical to US interests—challenges Southeast Asian states' core strategic interests. As Singapore Prime Minister Lee Hsien Loong warned at the 33rd ASEAN Summit, rising tensions between the Great Powers and competing visions for regional architecture may force ASEAN to choose sides.¹⁹ As it was during the Cold War, Southeast Asia has once again become a major arena of Great Power competition.

Although the US has tried to reassure the ASEAN states that it is committed to ASEAN centrality, President Trump's absence this year suggests otherwise. Trump may not show up next year either. Japan will host the G-20 Summit in June next year while Chile is the 2019 host of APEC. Unless Thailand follows Laos' example in 2014 and schedules the second ASEAN summit that includes dialogue partners back-to-back with the G-20 Summit, Trump will be asked to travel twice to Asia to attend formal multilateral summits or to choose the G-20 and Japan, or ASEAN and Thailand. Given Trump's dislike of long flights and multilateral meetings, it seems unlikely that he will come to Asia twice. President Xi has not missed a G-20 summit and has never attended the EAS. Japan has embraced FOIP while ASEAN will not.

FOIP and US-China strategic competition poses a deeper problem for ASEAN centrality than the absence of the US President from the EAS and the US-ASEAN Summit. Since 2013, Indonesia has been seeking, with little success, ASEAN agreement on its own Indo-Pacific concept based on enhancing the EAS. The crystalizing of the overlapping Indo-Pacific concepts of the US, Japan, Australia and India may well mean that ASEAN has lost the ability to lead the development of this concept and use it—as they did with the idea of the Asia-Pacific—to tie major powers more closely to the ASEAN-led regional architecture.

The Trump administration's FOIP almost certainly heralds an intensification of US-China rivalry in Southeast Asia which is set to continue for decades. Southeast Asian states and ASEAN should prepare themselves accordingly.

¹ This is the fifth in the series of ISEAS Perspective articles on the Trump administration and Southeast Asia. See the authors' "The Impending Trump Administration and Southeast Asia", *ISEAS*

Perspective #63/2016 (21 November 2016), “The Trump Administration and Southeast Asia: Limited Engagement So Far”, *ISEAS Perspective* #27/2017(27 April 2017), “The Trump Administration and Southeast Asia: Enhanced Engagement”, *ISEAS Perspective* #87/2017(23 November 2017), and “The Trump Administration and Southeast Asia: After the Singapore Summit”, *ISEAS Perspective* #36/2018 (4 July 2018).

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⁴ *National Security Strategy of the United States of America* (Washington D.C.: The White House, December 2017), <<https://www.whitehouse.gov/wp-content/uploads/2017/12/NSS-Final-12-18-2017-0905.pdf>>.

⁵ “Vice President Mike Pence’s Remarks”, op. cit.

⁶ *2018 Report to Congress of the U.S.-China Economic and Security Review Commission: Executive Summary and Recommendations* (Washington D.C.: U.S.-China Economic and Security Review Commission, November 2018),

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¹⁵ “Attorney General Jeff Sessions’ China Initiative Fact Sheet”, U.S. Department of Justice, 1 November 2018, <https://www.justice.gov/opa/speech/file/1107256/download>

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¹⁸ Ibid.

¹⁹ “Pence Calls for an Indo-Pacific Region Free of Chinese ‘Aggression’”, *Wall Street Journal*, 15 November, <https://www.wsj.com/articles/pence-calls-for-an-indo-pacific-region-free-of-chinese-aggression-1542290998>

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