

# ASIA SPOTLIGHT / 2024

## Strengthening U.S. Economic Engagement in the Indo-Pacific

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**Overview:** On January 25, 2024, the Asia Society Policy Institute convened a private roundtable on how the United States can step up its economic engagement in the Indo-Pacific region. The roundtable brought together more than 30 experts from diverse vantage points, including former Senator Rob Portman and former Representative Ron Kind. The discussion focused on potential avenues for enhancing U.S. economic engagement in the Indo-Pacific, keeping in mind the evolving trade landscape in the region, the tough domestic politics on trade, as well as setbacks and downsides to previous approaches.

The roundtable was conducted under the Chatham House rule. What follows are key takeaways and a summary of the discussion.

**Background:** The Indo-Pacific, a nexus of global trade and economic growth, has become the focal point of major power competition. This vast region accounts for more than half the world's population and 60% of global GDP, with economies fueled by innovation and connectivity powering nearly two-thirds of growth today. The United States has significant economic and strategic regional interests, including \$2 trillion in annual trade and \$866 billion in investment, yet its absence from key trade pacts has raised concerns over forfeited access and influence in rule setting. Meanwhile, amid proliferating regional trade deals such as the Regional Comprehensive Economic Partnership (RCEP) and the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP), China has firmly established itself as the dominant regional economic player, becoming the largest trading partner for most countries in the region, pursuing an active trade agenda, and growing as an increasingly important regional investor.

### Key Takeaways

- **Need for Enhanced Engagement:** The participants largely agreed on the need to step up U.S. economic engagement in the Indo-Pacific region while acknowledging the domestic and international challenges in doing so.
- **Prioritize Bilateral and Sectoral Partnerships:** Participants agreed that there are a number of approaches for bolstering U.S. economic engagement in the region, with many favoring pursuing bilateral Free Trade Agreements (FTAs) with like-minded economies, including Japan and Taiwan or sector-specific supply chain agreements. Comprehensive regional trade deals, such as CPTPP, seemed like a bridge too far for many participants, largely due to domestic politics.
- **Trade Vision and Strategy:** Articulating a compelling U.S. trade vision prioritizing economic security and resilience could galvanize domestic and international support. The participants also underscored the importance of trade in fostering economic growth, diversifying supply chains, innovation, and enhancing competitiveness.

- **Public Engagement and Communication:** The discussion underscored the need to do a better job in effectively communicating the economic benefits of proactive trade policies to U.S. workers and the middle class more generally. A more compelling narrative emphasizing the geopolitical threat of China and the importance of maintaining a competitive edge in technology and innovation was deemed essential for building bipartisan support.
- **Rebuild the Partnership between Congress and the Administration:** Highlighting the strong bipartisan support for the United-States-Mexico-Canada Agreement (USMCA), participants advocated rebuilding the partnership between the legislative and executive branches to advance a credible and durable trade agenda. A more collaborative and consultative approach is crucial for ensuring the United States remains a pivotal economic force in the region.

## Discussion Summary

The roundtable revealed a consensus on the vital need for enhanced U.S. economic engagement with the Indo-Pacific region. In particular, the importance of collaborating with allies and partners to counter geopolitical challenges and uphold a rules-based system was a focal point of discussion. However, participants highlighted formidable barriers posed by domestic politics and international dynamics. Views differed on the best approach, with some speakers pushing for proactive initiatives while others cautioned that expectations must align with what is feasible.

The economic relationship between the United States and China received significant attention, with speakers offering varied perspectives on balancing strategic rivalry with engagement. Calls for assertive countermeasures against unfair Chinese practices were supplemented with arguments for coordinated allies-based policies that account for economic realities. Some warned against conflating a tough stance on trade with China with a broader anti-trade agenda. Yet most agreed on the critical importance of addressing the challenges posed by China's unfair trade practices and reducing supply chain dependencies. Potential policies of a second Trump administration, such as an escalation in tariffs and actions against China were also noted.

While few participants advocated for the U.S. to consider rejoining comprehensive agreements such as the CPTPP, many leaned toward pursuing bilateral FTAs with like-minded partners, such as Japan and Taiwan. The discussions highlighted these agreements' potential to serve both economic and geopolitical ends, suggesting a focus on critical areas such as enhancing supply chain resilience and economic security. Concerns, however, were raised about the complexities and resource demands of negotiating such agreements, Japan's reservations about pursuing an agreement outside of CPTPP, and the commercial value of a deal with Taiwan.

Many praised the success of USMCA not just for the technical details but for its broad bipartisan support. Given its success, many see the USMCA as a core building block for future U.S. trade agreements, as well as a platform for potential expansion to include more members.

Participants proposed various other strategies to enhance trade engagement, including initiating sector-specific deals in areas such as digital trade or critical minerals and upgrading existing FTAs with countries such as Australia, and Singapore, with particular emphasis on USMCA innovations. With respect to sector-specific deals, many participants urged that they be characterized as supply chain agreements

as a means to gain domestic support. The roundtable also touched upon the value of World Trade Organization (WTO) plurilateral agreements to address global challenges and revive the WTO.

Several speakers pointed out the gaps in the current trade narrative, emphasizing the need for leadership and a motivating trade vision from the administration. A compelling narrative was seen as essential to catalyze economic growth, competitiveness, innovation, and congressional backing amid prevailing uncertainty. Without this, some expressed worries about lasting consequences on the U.S. economic and geopolitical position in the Indo-Pacific.

A recurring theme was the challenge of navigating U.S. domestic politics and its impact on the ability to maintain a credible and durable trade policy. Participants highlighted the need to better communicate the benefits of greater economic engagement to workers and the broader public. Some suggested that emphasizing the geopolitical implications of trade, particularly regarding China, or focusing on technology leadership could help build broader bipartisan support. But others argued only clear economic gains would move the dial. One speaker raised the importance of robust enforcement of existing trade agreements in gaining public support, while another focused on the role of agricultural exporters and the need for enhanced market access.

Participants underscored the importance of a more robust and collaborative relationship between Congress and the executive branch to advance the U.S. trade agenda effectively. The USMCA's success, despite trade skepticism, offered a blueprint in contrast to what was characterized as poor coordination and heightened tension between the executive and legislative branches at this time. A practical challenge raised was the need for the reauthorization of key trade programs such as the Generalized System of Preferences (GSP) and the Miscellaneous Tariff Bill (MTB). The importance of Trade Promotion Authority (TPA) as a tool for facilitating smoother legislative movement of trade deals was also raised. One speaker suggested that larger, more impactful trade proposals are needed to engage Members of Congress and cited the current low level of ambition as a deterrent.

## **Conclusion**

In conclusion, the roundtable's discussion underscored the importance of bolstering U.S. economic engagement in the Indo-Pacific region. It emphasized the importance of bilateral and sectoral agreements and a strategic approach to the U.S.-China economic relationship as a possible way forward. Achieving this requires a compelling trade vision that resonates with domestic stakeholders and aligns with the interests of allies and partners in the Indo-Pacific, coupled with a strong partnership between Congress and the executive branch.