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TRANSCRIPT
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“Preview of the 2019 East Asia Summit and APEC Meetings”

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H. Andrew Schwartz:

Good morning, everybody. And thank you for joining us today for a preview of the East Asia Summit and the APEC meetings next month. Thank you very much for being here at CSIS. I'm Andrew Schwartz, our chief communications officer. And our CSIS experts will break down what they're watching for at the summits.

I'd like to start by introducing my colleagues. We have Matt Goodman, the Simon chair in political economy. Matt will provide an overview of the U.S. economic strategy towards the Indo-Pacific region and about the summit in general. Amy Searight is our senior advisor and director of the CSIS Southeast Asia Program. Amy is going to preview the summits and the impact on Southeast Asian nations. Jude Blanchette is our CSIS Freeman chair in China studies. Jude will talk about the latest in U.S.-China relations and the likely President Trump-President Xi bilat. And finally, Michael Matera, who's our senior fellow and director of the Americas Program at CSIS. Michael will cover the significance of APEC for Chile and the rest of Latin America.

And after their remarks, we'll take questions from you all. If you could speak into your microphones for the transcript and identify yourself and your news organizations, we'll take questions. And with that, my office will also send out a transcript. It'll be available also on Twitter at CSIS, wherever you find your social media.

And with that, I'd like to introduce my colleague, Matt Goodman.

Matthew P. Goodman:

Sure. Thanks, Andrew. Is somebody on the line? Should we identify ourselves as we speak each time? Is anybody on?

H. Andrew Schwartz:

Yeah.

Matthew P. Goodman:

OK, so this is Matt Goodman. Hi, everyone. Good morning. So November is Asian summit month. Since 1993 U.S. presidents have been normally, traditionally, going to one summit, the Asia Pacific Economic Cooperation, or APEC, forum, which meets around the Pacific Rim. And then since 2011, he has also gone – the president has also gone traditionally to the East Asia Summit, which is a gathering of the 10 Southeast Asian nations in ASEAN, plus six – no, eight – regional powers as well, including the United States and Russia, most recently, since 2011.

Amy's going to talk more about the individual summits, but just to give an overview, you know, since George H.W. Bush administrated – U.S. administrations have, one way or another, given emphasis to the – what we now call the Indo-Pacific region. So broadly speaking, the region that runs – that covers the Indian and Pacific Oceans or runs from kind of D.C. to Delhi and Siberia to Sydney. That region of the world, administrations have played – put emphasis on, because it roughly speaking, more or less, accounts for half of global population, half of global GDP, half of global trade, more or less. And so, it's an important region from a strategic and political perspective as

well as definitely an economic perspective – where the money is, as Willie Sutton used to say.

So, I think in the case of the Trump administration they've put this emphasis on the Indo-Pacific under a banner headline called the Free and Open Indo-Pacific strategy, or FOIP – F-O-I-P – strategy. And that, in theory, covers a series – a wide range of engagement across political, security, economic, and, in theory, other dimensions of U.S. engagement in this broad region. And I would say that the region as a whole – and Amy, I'm sure, is going to talk more about this – generally I think has found this a welcome initiative, or certainly as kind of an emphasis on the importance of the region and these broad pillars are generally welcome.

And it has had some useful elements on the security side and on the infrastructure side. And we can talk more about that. I think there's appreciation for the fact that there's finally an assistant secretary of state for East Asia and the Pacific who's been out there – I mean, I think he's out there now. He's been there a number of times, General Stilwell, and also Randy Schriver at DOD, the assistant secretary for that part of the world, has also been out there frequently. And I think that's very much appreciated.

But there are clouds over all of this. There are clouds over each of the two summits and over the free and open Indo-Pacific strategy as a whole. And again, I'm sure others are going to talk about this. But just to say quickly on APEC, last year there was no communique issued because of a dispute between – largely between the U.S. and China over trade. That was the first time in the history of the organization there wasn't a statement by the leaders. And there are questions about whether there's going to be one again. So that's one big question mark.

Over the East Asia summit, the big issue is that it doesn't look like the president or the vice president is going to go. And again, Amy's going to talk about that. But that's a real issue, because, as they say, or as Woody Allen said, either 80 or 85 percent of life is showing up. And in the Indo-Pacific, that's definitely true. If you show up, you're given praise, whatever you actually say or do. If you don't show up, it's a real problem. And the lack of – President Trump hasn't been to any of these summits yet, the East Asia summits.

Over the free and open Indo-Pacific as a whole, there are really two clouds, I'd say. One is the lack of a credible regional trade strategy. Since the president decided to pull out of the Trans-Pacific Partnership, or TPP, on his third day in office, there has – there's a view in the region that the U.S. has not been credibly engaging on regional trade arrangements. It's been trying to pursue some bilaterals, including with Japan, but it hasn't engaged on this broader regional side. So that's one sort of cloud over the strategy overall.

And the other is the U.S.-China competition. There's a lot of anxiety. And I know everybody, again, is going to address that in one way or another. But there is an anxiety in the region about this competition, both its economic impact, which is a negative for most countries in the region, positive in the short term for some, but overall not good economically. But also, it raises

issues about whether there's going to be a sort of bifurcated region or world in which countries are going to have to choose one side or the other in some sense. And so that's making people very uncomfortable.

So, I think that's overall the way to think about these summits. One final thing is, beyond what's on the agenda at the summits, there's always stuff that – actually, the most interesting stuff to reporters in particular is the things that go on in the margins of these summits, at particularly the bilateral meetings. And the one that's probably most anticipated is the expected meeting of President Trump and Chinese President Xi Jinping in Santiago at the APEC summit. That's assumed to be happening. And again, Jude will talk more about that.

I think that's enough for me. I'll pass it on.

Amy Searight:

Thailand is chair of ASEAN this year. And so, as chair, it will host the East Asia summit on November 4th, early next week. The way the East Asia summit works is it follows a series of summits, starting with an ASEAN-only summit. So, the 10 leaders of the Southeast Asian nations that make up ASEAN will meet together. And then they will begin having a series of plus-one meetings. They'll meet with China, Japan, the United States; you know, all of their dialogue partners.

As Matt said, we do not yet know who is going to be representing the United States, which is quite remarkable, given how close we are to the summit. We're expecting an announcement any minute. It looks – it appears that either Secretary Pompeo will be the designated representative of the United States or perhaps it will fall to Wilbur Ross, commerce secretary, who has already committed to going for a sideline event, which I'll mention.

In any case, the East Asia summit, as Matt mentioned, since the United States joined in 2011, it's really become the premier strategic dialogue for the Indo-Pacific nations in the region with leaders from China, India, Japan, Australia, South Korea, New Zealand, gathering together, along with the 10 leaders of the Southeast Asia nations, to discuss key issues of the day.

ASEAN leads the agenda, and so it's often a very kind of softball set of issues that result in declaratory statements of cooperation and peace and nonviolence in the region. But it's a really important venue for leaders to get together and put forward their case for their countries' deep involvement and engagement in the region. And so it is a key opportunity for the United States to make the case that the Indo-Pacific – the Free and Open Indo-Pacific that was launched with much fanfare by President Trump on the sidelines of APEC two years ago, to make the case that that strategy is indeed a top priority strategy for the United States that has some real substance that – with appeal to the region.

This year the top of the agenda for the East Asia Summit has been – or really for ASEAN this year – has been RCEP, which is the Regional Comprehensive Economic Partnership trade negotiations that were launched seven years ago and include 16 of the 18 East Asia Summit countries. So they include all of the countries in the region except for the United States and Russia, and so if

a deal were to be concluded, that would create a trade deal – really the largest trade deal in the world, with a combined GDP of over 30 percent of the world's GDP and a population of close to half the world's population.

However, it has been seven years in negotiation and there's – it has been moving pretty slowly, largely due to India's resistance to grant market access when they know that they are facing really severe competition from China. So, India has been the biggest stumbling block in reaching a final deal.

There has been a lot of progress made this year, and the Thais were really working hard and hoping that they'd be able to be able to sign a deal at the East Asia Summit. There's a meeting of negotiators later this week before the Summit, but it's unlikely they're going to be able to conclude a final deal, although they may put out a statement at the Summit of some sort of agreement in principle or at least affirming that they've made substantial progress. And it does look more likely than before that they might be able to reach the finish line sometime early next year, but we'll still have to wait and see on that.

The other issues on the agenda this year have been ASEAN's efforts to negotiate with China a code of conduct on the South China Sea to deal with the many maritime disputes that Southeast Asian nations face with China. This – again, this also has been a multi-year process of trying to get China to the negotiating table, and now they're actually working on negotiating a text. However, this also has hit some speed bumps as tensions have really flared this summer and fall between Vietnam and China – as well as the Philippines and China, but Vietnam has taken a pretty tough stance in the most recent negotiations. And so, I think it's quite – there's certainly going to be no major breakthrough that we'll hear about next week and even next year when Vietnam takes over the chair for ASEAN. I think it's unlikely we're going to see a substantial movement to conclude the code of conduct next year as well.

The other issue that we will hear about is ASEAN's outlook on the Indo-Pacific. This is a concept that ASEAN has put forward. Really, it's an attempt for ASEAN to put its own stamp on the Indo-Pacific's strategic framework that the United States and Japan and Australia, as well as India, have all used as their organizing principle for their strategy towards the region. So ASEAN wanted to make sure that it remains central to discussion on all things in the region, so if Indo-Pacific is the new word to capture the region and the strategic priorities of the region, ASEAN wants to get out in front and claim ownership over its own version of what it – how it views an Indo-Pacific kind of framework. It's really just about ways to cooperate more with ASEAN in the region on issues like maritime cooperation and sustainable development.

The other thing to mention about the Indo-Pacific – sorry, the East Asia Summit – this year is there is going to be one innovation, which is the United States is chairing with Thailand a U.S. business forum on the sidelines of the East Asia Summit, which is a new thing to have a business forum on the sidelines of this meeting of leaders. And so the United States Chamber of Commerce is organizing a forum that is going to include some senior government officials to talk about some of the initiatives that the U.S. government has rolled out under the Free and Open Indo-Pacific Strategy.

Secretary Pompeo made a series of announcements last year of initiatives in infrastructure and digital economy and energy, and so there'll be more discussion of those initiatives and perhaps some more announcements of some programs in that area.

Secretary of Commerce Wilbur Ross is committed to go and lead that business forum, and so that's why we know that he will be in Bangkok. We're not sure if anyone else will join him to represent the United States at the meetings.

And just to – just to end on that note, I mean, President Trump is – there's no indication that President Trump will go, and also no indication the vice president will go. Vice president Pence went last year. President Trump in 2016 went to Manila just before the East Asia Summit. He started in Vietnam with the APEC summit. He went over to Manila, had a bilateral meeting with President Duterte, had a lunch with some of the East Asia Summit leaders who were in town, but then he got on his plane and left, departed Manila, just before the East Asia Summit meetings kicked off. And last year he did not go to the East Asia Summit that was held in Singapore. So this will be the third year in a row that he will have skipped the East Asia Summit, which is – stands in stark contrast to President Obama, who joined the East Asia Summit 2011 and attended five of the six summits from 2011 through the end of his term. He skipped one in Brunei in 2013 because there was a domestic crisis over a government shutdown.

I think it really does call – Matt said, you know, showing up is really important in this region. And I think it will call into – it'll be headlines in the region that no senior American leader is coming to a summit with 17 other leaders from the Indo-Pacific, as well as perhaps leaders from the U.K., Germany, and France who have also been invited to join, not as full-fledged members but as participants, observers if you will, to this summit. And I'm not sure if any of them have confirmed their participation. But in any case, the absence of the United States will be notable and noted. And I think it really does call into question the – how serious this administration is in its Free and Open Indo-Pacific strategy. And it really just calls into question the reliability of the United States as a strategic partner to this region.

H. Andrew Schwartz:

OK. Jude.

Jude Blanchette:

Well, thank you very much. Jude Blanchette, Freeman Chair in China studies here at CSIS. And maybe picking up on Matt's cloud metaphor, I'll talk about for a moment a possible ray of sunshine amidst a growing storm, which is the U.S.-China bilateral relationship. The date we're looking for now, or we're looking at, is November 17th, which is as of 9:31 this morning, when President Trump and general secretary of the Communist Party of China and the President of the People's Republic of China Xi Jinping are set to meet. We're looking for a possible signing of a phase one agreement.

Just as quick background here, this is the – this is the broad outline of an agreement which was announced in the Oval Office a few weeks ago between President Trump and Chinese Vice Premier Liu He. At the time it was relatively vague. It remains pretty vague, but increasingly we're starting to

see what some of the specifics of it would be. This is where the United States, in agreement for shelving the tariffs which would have gone into effect on October 15th and possibly – although this is not yet confirmed – postponing or shelving the upcoming tariffs that would go into effect on December 15th of about 160 billion (dollars) worth of Chinese imports, covering consumer goods, telephones – or, excuse me; that shows how old I am – cellphones, laptops, and some other consumer goods, like toys.

China has agreed to 40-50 billion (dollars) in agricultural or farm purchases, but crucially over an unspecified time frame. And if this turns out that China is – as has been increasingly thought to be the case – going to only roll out 20 billion (dollars) in purchases in the first year, that basically just gets us back to where we were in 2017 in terms of the aggregate amount of Chinese purchases. So it really is just not a concession so much as it is an indication by China that it's willing to go back to where things stood in 2017, calling into question how much progress the U.S. has actually made.

Absent completely from the phase one were really the issues that were at the heart of the U.S. complaints, as outlined in the USTR 301 report. So, this is really the – China's predatory industrial policy, subsidies for state-owned enterprises, forced technology transfers, a more robust protection of intellectual property for foreign countries operating in China. That's what this – that's what the heart of the U.S. complaints were for a very long time, and those have now been kicked – the can has been kicked down to a phase two or a phase three. But we're really just wondering if we're going to get through – get through a phase one.

In terms of recent updates that we're looking at in terms of the feasibility of signing a phase one on November 17th, yesterday President Trump on his way to Chicago said that we're, quote, "ahead of schedule" and that probably we'll sign it, which is I think the president's way of hedging on this. Last Friday we had a call between Treasury Secretary Mnuchin, USTR Robert Lighthizer, and Vice Premier Liu He. I'd say positive to neutral statements; both sides, again, hedging their bets. The Chinese side talking about some concrete progress insofar as quality supervision of catfish products, possibly ending a ban on the importation of U.S. poultry. For its – for its part, USTR put out a relatively bland statement saying we're making some progress in some areas.

So in terms of the 16-month trade war, I'd say that this is – this is progress. But we've got a lot of time between now and November 17th and we've been here before. We've gotten to a place in this – in the trade war where we thought we had an offramp or at least a truce, and we've seen – we've seen that erode pretty quickly. So, I think that's worth noting here.

I'd say it's a ray of sunlight amidst a growing storm. Why do I say a growing storm? Because if we were to look outside of the simple issue of the trade war, it's clear that the U.S. and China are headed for a more prolonged period of open strategic rivalry. And this is one that is not only recognized on both sides, but I would say is the consensus on both sides. Here in the United States, within the U.S. government, whether that's – whether it's at USTR or at the Department of Defense or up on Capitol Hill, there's a – I think a

growing appetite for resetting the relationship with China, but one that puts national security concerns of the United States first and foremost, and looks to move away from a consensus that integration with China was going to necessarily lead to some form of normalization or even liberalization of China's political and economic system. That consensus has entirely eroded.

We have issues like the recent contretemps over the NBA. We have the ongoing unrest in Hong Kong. We have growing awareness in Capitol Hill of China's detention of more than a million ethnically Uighur Chinese citizens in Xinjiang. We have lots of touchpoints or flashpoints of the relationship here. So I think as a – as a final point, even if we get to an agreement of a phase one on November 17th, that leaves phase two, which is really where all the hard stuff is, or phase three. And even if we see a phase two and a phase three come to a conclusion, we have this larger strategic rivalry which will in many ways subsume trade and will cover areas of diplomatic/political/military conflict which we're likely to see grow in the coming years.

So, with that, I'll turn it over.

Michael A. Matera:

Hi. I'm Mike Matera, the director of the Americas Program here.

Chile is the host of the APEC 2019 Leaders Summit. This is on the 15th and the 16th of November. Chile has overseen the APEC process this year. It announced four priorities when it took over the process at the Papua New Guinea Summit last year: the first priority, to take control of the technological revolution; two, to move towards integration 4.0; inclusive growth; and addressing climate change.

Of the three Latin American members of APEC, Chile is more interested than any of the other members, given the very strong focus on the importance of trade between APEC – between Latin America and the APEC members. Well, the big question – let's get to the – let's get down to the real issue here. The issue over these last couple of weeks has been what's going on in Chile, and the big question is are the disturbances in Chile going to have any impact on the actual summit.

Just very briefly, what's happened over the last two weeks there's not a lot of understanding yet, and in Chile people are very much still trying to figure out what hit. This was all set off – the disturbances were set off by a very minor rise in Metro prices, and this led to very serious violence, riots. Twenty people have been killed, over a thousand injured. A number of other thousands have been detained.

The big question is, is the summit going to take place? I checked with people I'm in touch with on plans in Chile, and Chilean authorities are saying very clearly the summit is going forward. There may be some minor adjustments to the schedule. That said, we're going to have to see what happens between now and the 15th of November.

Yesterday was another day of disturbances in Santiago and in some other smaller cities outside of Santiago. On Friday there was a major demonstration; 1.3 million people marched in Santiago. This has all been –

this is being explained as a reaction from the lower-middle classes to very high levels of inequality in Chile, frustration over the inability to access paid education, inability to access a two-tiered health system that is out of reach for the majority of Chilean citizens. But this came very unexpectedly. The timing is very bad, obviously, in terms of Chile's commitment on APEC 2019. And Chile is also hosting in December COP 25.

All indications from Chile are that both events will move forward. But, that said, much is going to depend on how things develop between now and the 15th of November. President Pinera over the weekend dismissed his entire cabinet and yesterday appointed a new cabinet with eight new ministers, mostly younger, more centrist leaders, more responsive to the situation, but again, unclear whether this is going to be enough to calm the streets of Santiago and the rest of Chile; very unusual moment. I'd be happy to answer questions on this, but this is, in a sense, a sideshow. But the fact that Chile is the host obviously makes it a bit more than a sideshow.

Thank you.

H. Andrew Schwartz: With that, we can open it up and take your questions; if you could say your name for the – and your news organization.

Right over here, yeah.

Jill Colvin: Thank you very much for doing this.

I just wanted to follow up a little bit more on the situation in Chile right now. Have you heard any discussions about whether other world leaders are potentially looking at whether they're going to reconsider attending because of what's happening? And also, what is kind of the – do you have any sense of the location and the security considerations and how, you know, a world leader like President Trump might have to change things around to navigate the situation?

Michael A. Matera: From people I spoke to this morning, the assurances are still that President Trump will attend. Other – I mean, Latin American leaders – it's pretty clear that the Mexican leader, who has not attended since taking over almost a year ago, who has not attended any summits of this sort, pretty unclear – pretty uncertain – well, actually, pretty certain that he won't be there.

The Peruvian leader is also caught up in a constitutional crisis at this point. That has been quite serious over these last couple of weeks. It's not confirmed that he's going to be attending. But again, what I've heard is that – I mean, I leave this more to you, Matt – but, I mean, reports as of yesterday were still that President Trump is planning to attend.

Matthew P. Goodman: Yeah, not confirmed yet. But I think, just in sort of essence, having helped organized, as Amy has, these summits before, I mean, first of all, on the security point, these things are in a bubble and they're – I don't actually know physically where this is going to be in Santiago. But I'm sure wherever it is is already completely sealed off and, you know, sort of safe in that sense. And I don't think that by itself is going to deter anybody from going.

I'd also say this is a more localized problem in Chile. It's not unlike other international meetings where there have been sort of anti-globalization protests. I mean, this is related to globalization, obviously, but it's not sort of – it doesn't feel to me like this – like the APEC gathering itself is the target of this problem. And therefore, I think it's less likely that people will cancel unless, you know, literally the Chileans say we can't handle it, which, as Michael said, so far they're saying they can.

Amy Searight:

Can I just note, a note of irony is that when Thailand hosted the East Asia Summit 10 years ago – this is before the United States was a member – but there was tremendous upheaval in Thailand that whole year, and a number of meetings – ASEAN-related meetings – were called off, postponed, and canceled. It was – you know, the protesters took over the airport, shut down the airport. It was total chaos.

So, this year in Thailand, when Thailand is still going through another chapter of some domestic unrest – or not unrest, but some domestic concerns around the election, there was a lot of concern about Thailand's ability to host the East Asia Summit. And Thailand was just hoping – Bangkok was just hoping they'd be able to get through this year of meetings without having any major disruptions, and it's actually gone very smoothly. And now it's Chile and APEC that's become the issue.

H. Andrew Schwartz:

Great. Right over here.

Emel Akan:

Thank you for doing this.

My question is about China and the phase one deal. You mentioned that – actually, President Trump mentioned that the phase one deal will include intellectual property as well. Do you have any predictions – I know the details are not there yet, but do you have any predictions about what kind of agreement can they do in phase one on intellectual property?

Jude Blanchette:

Yeah. So this is, of course, speculation because we just – China – neither side has announced exactly what this would look like. I think at this point the speculation is essentially that China looks to repackage actions it's already taken over the past year or so to strengthen IP in China. So, we've seen legislation that's come out recently in China, up to and including this past week, where there have been actions that have come out of the NDRC – National Development and Reform Commission – on improving market access and strengthening IP protection. So, it's very unlikely that there will be a substantive new mechanism that Beijing will have, whether that's on the legislative or enforcement side, that will fundamentally address IP concerns by November 17th. If that is included in phase one, I think it'll almost necessarily be a paper agreement and a pledge to strengthen and pointing to recent actions that China has taken.

Matthew P. Goodman:

Can I just add? I think that's absolutely correct. And that's fine.

You know, this – the intellectual property issues have been around, at least since China joined the WTO in 2001 and really actually before that as well,

and the problem has consistently been that while laws have been added to the books in China – including, as Jude said, some new laws. And the foreign investment law, by the way, is also part of this story, the law passed earlier this year, because it in theory eliminates this – in fact, it mandates that there not be forced technology transfer as a condition of investment in China. So that’s another, you know, on paper useful addition to the legal framework.

The problem has been, consistently, enforcement of the laws. And that’s been partly initially, I think, lack of interest in doing that on the part of Beijing. But over time, Beijing’s actually, I think, been more concerned about enforcement of intellectual property because China itself has intellectual property it wants to protect. But they find it, you know, for a variety of reasons difficult in practice to enforce these laws, particularly at the local level, I think. So that’s – you know, that’s been the – so that’s why I think Jude’s expressing some, you know, sense of skepticism about whether this is going to fundamentally change things, because even if there’s – even if there were some new surprise, you know, additional commitment, the question will be, will it be enforced?

Jude Blanchette:

Put it – you know, phase one is the easy stuff, right? And that’s just a political reality, right? So that’s what’s – so you can almost assume that nothing that’s really hard will be able to get into the phase one agreement, both because of the time and really what they’re trying to do is sort of get on the first rung of the ladder here. They’re trying to get some traction going.

IP protection is one of the thorniest issues in the bilateral relationship. Not only the formalistic sort of legislative/regulatory part of this, but really what drives a lot of the complaints from U.S. companies is the – is the sort of soft IP theft, right? It’s not a matter of not having the right law on the books or even not having the right enforcement mechanism; it’s just – and Chinese leaders will admit this as well – they just don’t have much – you know, you’ve got – you’ve got not only state IP theft, but you have a lot of commercial IP theft that’s happening too. And a lot of it is happening in sort of ways that are just outside of the regulatory apparatus’ ability to catch it.

So, if we’re going to see something meaningful, it will almost – it will have to be at a later phase where there’s much more – much more effort and time put into this. But I think politically speaking, for China, they’re not looking to make – whether in phase one, phase two, or phase three – large concessions to the United States that fundamentally undermine the party leadership’s ability to deliver economic growth and national strength and power. So anything that even hints at threatening that won’t be political feasible in China. Which is why we’ve seen again and again China really hasn’t moved the needle in terms of what it’s offering to the United States on the trade war.

David Brunnstrom:

I wondered, Amy, if you could maybe expand a little bit about the consequences of not having top-level U.S. representation at EAS, and how really the Trump administration’s Asia-Pacific strategy has – stacks up against the Obama administration’s? And I wondered also, I mean, if, say, you don’t have anybody from the State Department at the senior level, like Secretary Pompeo, is that something to do with – well, obviously, there wouldn’t be an opportunity to do a bilateral with, you know, a senior Chinese

or even North Koreans – I don't even think the North Koreans are actually going to be there, are they?

Amy Searight:

Yeah, North Korea is not a member, so North Korea won't be there.

But, yeah, the problem with sending Secretary Pompeo, if it's Pompeo, is it will be difficult for him to have bilaterals with all of the – you know, with some of the key leaders. He probably will have a bilateral with Prime Minister Prayut from Thailand and some other Southeast Asians, and perhaps some other leaders. But, you know, when there are 18 leaders running around Bangkok, I don't know if Secretary Pompeo's going to get on everyone's dance card. But more importantly, I just think it's really important optically for the president, or at least a vice president, to show up and represent the United States at a time when the Trump administration is trying to make a case that the Indo-Pacific is the region that is its top priority.

China – to be fair, Xi Jinping does not go to the East Asia Summit. He does go to APEC. But it's the premier that goes to – Li Keqiang who goes to the East Asia Summit. But other leaders are there from Prime Minister Modi, to Prime Minister Abe, to, you know, Scott Morrison from Australia, et cetera. So it does look – it does look like the United States is kind of ceding the field when it – when a leader doesn't show up.

To compare the Free and Open Indo-Pacific strategy to the rebalance, I mean, you'll get a lot of different opinions about two different strategies. But one cornerstone of the rebalance approach was it – excuse me – the Obama approach and the rebalance was a very high level of engagement. So President Obama himself made it clear that he was, you know, really going to embrace the East Asia Summit and show up in the region. He went to nine out of the 10 ASEAN countries during his – during his two terms, which is unprecedented, and would engage these countries on a bilateral basis on a whole range of bilateral issues, have town hall – town halls with, you know, young leaders, and all these kinds of things, to really make the case that, you know, the United States values Southeast Asia in and of itself, as well as the broader region, was a – was a central message.

The Free and Open Indo-Pacific is – the themes of the strategy that Trump rolled out in Da Nang two years ago does resonate in the region. The idea that the United States is willing to take a tougher stance on China at a time when there's growing anxiety about Chinese behavior, that has been welcomed by many people in the region. So, some of the tough talk around China, and Vice President Pence's speeches, et cetera, is welcomed. I think there has been some impatience with the slowness of rolling out real, tangible initiatives under the Free and Open Indo-Pacific. A lot of the security initiatives are ongoing from the Obama administration. So, there's been closer defense cooperation with countries like Vietnam and India. And that's appreciated, the security side of the Obama administration's rebalance and the Trump administration's Free and Open Indo-Pacific I think has been strong and welcomed in the region.

But as Matt said, on the economic side the Free and Open Indo-Pacific has yet to really prove itself. Without a trade strategy like, you know, when

President Trump walked away from the Trans-Pacific Partnership and has not been interested in engaging in trade negotiations in any sort of multilateral or regional format, that's created a real vacuum for U.S. leadership.

And some good things have been announced, like under the BUILD Act, the creation of the new U.S. International Defense Finance Corporation that will do more to galvanize, to catalyze private-sector investment in infrastructure. But these other initiatives have been kind of vague. There's not – it's not clear what actual projects are being launched, and at a time when not only China is rolling out tremendous resources under its Belt and Road Initiative, but Japan is doing a huge quality infrastructure initiative. Australia's doing a lot. It just doesn't seem like the United States is doing as much.

Matthew P. Goodman:

Yeah, I – just again, not to – we've made the point, but just to foot-stomp one more time the importance of showing up, because I think some people may be cynical about why does that matter. I was with President Obama in 2011 at the first presidential engagement in the East Asia Summit in Bali, and I can just tell you the power of having the U.S. president at the table is incalculable. It completely changed the dynamic in the conversation to have the U.S. president there. And I can imagine, not having been since, but that without the U.S. president there it means the U.S. doesn't really shape the debate, and so that – or the tone, even, of the meeting. So, it is really important and it's just – can't be overstressed enough, I think.

Isabelle Icso:

Just building off of a previous question, do you have any predictions for state-sponsored subsidies? It sounds like they may be saving that for phase two.

And then, additionally, what kind of FOIP announcement would be ideal, Free and Open Indo-Pacific announcement, at APEC?

Jude Blanchette:

State subsidies on the Chinese side –

Isabelle Icso:

Yes.

Jude Blanchette:

– which ones?

So, China hasn't announced where it's looking to cut state subsidies. I think that, in fact, will be what will make a phase two deal so incredibly difficult, is I don't think politically there's appetite in China to be making much of a dent in terms of how it subsidizes and supports domestic industries.

Right now, in Beijing there's – currently the Fourth Plenary Session of the 19th Party Central Committee is meeting, of which a key focus on this is governance issues. Reports are that this week they will be discussing some elements of economic governance and industrial policy. They will also be discussing, though, party ideology and party control. Xi Jinping has been clear again and again that, unlike the previous incarnations of Chinese leaders from Deng Xiaoping through Jiang Zemin and Hu Jintao, they're not making to look (sic) fundamental reforms to the economic system away from state control.

I think there's a reason that nowhere in the negotiations have we really gotten close to making a dent in Chinese subsidies. We saw – the closest we've gotten, in May; we saw, of course, that deal collapse once the political bureau of the Central Committee, the Politburo, discussed the full details in the 155 pages. This will be the sticking point. This is what's going to make this so hard.

I think practically speaking we're looking at a – at a phase one, which allows both sides to claim, you know, some amount – some victory here. And then I think we may – we may just see some of these harder issues continue to get kicked down the road.

I don't know if you both have any –

Amy Searight:

Well, on your question – and Matt may have ideas, too – in terms of an ideal announcement for the Indo-Pacific – Free and Open Indo-Pacific Announcement at APEC, or on the margins of the East Asia Summit, I think what would be welcome would be an announcement under the new International Development Finance Corporation of some real projects that would be in the region, so some projects to build infrastructure somewhere in the Indo-Pacific. The problem there is that the IDFC has not yet been stood up. It was supposed to launch October 1st, but it's still in the – some phase of getting funding. I'm not sure precisely when it will be launched, so I don't know if that will be premature to have some announcements. But the United States has been talking with Japan and Australia about doing some joint financing for projects that would include firms from, you know, several of these countries.

That also, I think, would be very welcome to see the United States working closely together with Japan and Australia to contribute to fill in the infrastructure gap in the region. You know, it would be seen as a real alternative to China's Belt and Road. So, some big, weighty announcements of, again, concrete projects would be very welcome. But I'm not sure if the United States is ready with that yet.

Matthew P. Goodman:

No, I think that's –

H. Andrew Schwartz:

More questions?

Well, thanks, everybody, for coming today. We will have a transcript out shortly, within the next couple of hours. We'll email it to all of you who are here and to our colleagues who are listening. Thanks again. And you can find this also at CSIS.org and on @CSIS on Twitter.

Thanks very much.

(END)