

# PERSPECTIVE

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## **The Trump Administration and Southeast Asia: The Hanoi Summit and US Policy in Southeast Asia**

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### **EXECUTIVE SUMMARY**

- The second Trump-Kim summit had generally positive outcomes for Southeast Asia and especially the host Vietnam.
- Although the Trump administration remains focused on Northeast Asia, Southeast Asia figures prominently in US thinking on meeting the security challenges posed by China.
- Southeast Asian economies with a visible trade surplus with the US are likely to avoid most US trade retaliation during the first Trump administration.
- Rhetorically the US is committed to ASEAN centrality. Yet the prospects are not good for President Trump's participation in the ASEAN-US Summit and the East Asia Summit in Thailand in November 2019.

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## INTRODUCTION<sup>1</sup>

On 27-28 February 2019, Hanoi hosted the second Trump-Kim denuclearization summit. The meeting ended on a discordant note compared with the first one hosted by Singapore in June 2018. Talks broke down between the two sides over North Korea giving up its nuclear weapons in return for the US lifting its sanctions on the regime. At the end of March, China's President Xi Jinping may sample again "the most beautiful" chocolate cake at the Trump Mar-a-Lago resort in Florida at the planned second Trump-Xi summit aimed at reducing economic tensions.<sup>2</sup>

The current Trump administration is well into the second half of its four-year term and interest in the US is shifting to the 2020 presidential and congressional elections. This month—possibly bookended by two major Trump summits—highlights four features of the current Trump administration's approach to Asia that could persist if Donald Trump is re-elected in November 2020:

- North Korea's nuclear weapon and missile programmes are the most pressing security threat from Asia amenable to a bilateral deal. China's mercantilist economic policies towards the US are the most pressing economic threat;
- More generally, Northeast Asian concerns and relations predominate over Southeast Asian ones;
- Lightly scripted, occasional presidential summits are more useful than the regularly scheduled regional summits; and
- There is considerable tension between presidential summitry and deal-making and the administration's more considered policies towards North Korea and under the Free and Open Indo-Pacific (FOIP) framework.

So far, Southeast Asian states have benefitted as a venue for the Trump-Kim summits, greater US security actions in the region, and from the presidential pre-occupation with the economic threat from China. While President Trump's absence from the ASEAN and APEC summits last November was rightly criticized,<sup>3</sup> the Trump administration's developing policies under FOIP far from ignore Southeast Asia or ASEAN.

## THE HANOI AND SINGAPORE SUMMITS COMPARED

In February 2019, for the second time in eight months, a Southeast Asian country played host to a summit meeting between President Trump and North Korean leader Kim Jong-un. Vietnam was chosen as the venue for many of the same reasons that Singapore hosted the first summit in June 2018.

Pragmatic reasons were uppermost. Like Singapore, both the US and North Korea have embassies in Hanoi which helped organize the meeting. This appears to have been the main reason why the summit was held in the Vietnamese capital and not in the coastal city of Da Nang which had been the frontrunner before the final decision was announced. As with Singapore, Vietnam has had experience providing logistics and security for high-level international meetings, most recently the APEC Summit in 2017. Hanoi can be reached by train from Pyongyang.

Geopolitical factors also played an important role. Like Singapore, both Washington and Pyongyang view Vietnam as a neutral party in the dispute, and both have good relations with Hanoi. An earlier spat between Vietnam and North Korea over the use of a Vietnamese citizen by North Korean agents to assassinate Kim's half-brother, Kim Jong-nam, at Kuala Lumpur airport in February 2017, was reportedly patched up in December 2018 when North Korean Foreign Minister Ri Yong Ho apologized to the Vietnamese leadership.<sup>4</sup>

The US government was also keen for Vietnam to host the summit so as to provide a model for North Korea to emulate. Over the past four decades, Vietnam has reunified, introduced economic reforms that have resulted in it becoming one of the fastest growing economies in Asia, and shed its pariah state status (following its occupation of Cambodia) to become a well-respected member of the international community and dynamic member of ASEAN. Moreover, despite these massive changes, Vietnam has maintained one-party rule throughout. However, whether the "Vietnam model" and Singapore's prosperity have persuaded the North Korean leader's thinking on introducing major economic reforms is open to question.

As with Singapore, Vietnam was keen to facilitate dialogue between the US and North Korea so as to promote regional peace and security. Although simmering tensions on the Korean Peninsula do not have a direct impact on Southeast Asia, a military conflict between the US/South Korea and North Korea (possibly aided by China) would have devastating consequences for the global economy and hence growth prospects in Southeast Asia.

It remains unclear whether the failure of the Hanoi summit represents a pause in the denuclearization process or a dramatic setback and a return to US-North Korean tensions. The Trump administration has put a positive spin on the breakdown of talks in Hanoi, arguing that substantial progress was achieved and that dialogue will continue.<sup>5</sup> After the summit, Foreign Minister Ri suggested that an impasse had been reached,<sup>6</sup> but with the North Korean economy in dire straits and short of food, the regime urgently needs international sanctions to be eased.<sup>7</sup> Thus a third Trump-Kim Summit within the next six months that produces more concrete outcomes cannot be ruled out.

For Vietnam, the summit was a qualified success. As with Singapore, the international media exposure is likely to generate hundreds of millions of dollars in tourism and retail revenue for a relatively small outlay for security and possibly hotel accommodation for the North Korean delegation. Unlike Singapore, however, the abrupt end of the talks marred the event, though this was completely beyond the control of Vietnam.

## **US DEFENCE POLICY AND SOUTHEAST ASIA**

In the second half of 2018, the Trump administration's Asia policy crystalized. It became clear that the central organizing principle of the FOIP was full-spectrum competition with China. In the month's preceding the Hanoi summit, the signing into law of the Asia Reassurance Initiative Act 2018 (ARIA), and two US agency assessments of regional security, underscored this crystallization.<sup>8</sup> ARIA, which received a unanimous vote in the Senate, will be funded to the tune of at least US\$1.5 billion dollars a year until 2023. Despite the Trump administration's focus on Northeast Asia, Southeast Asia figures prominently in US government thinking on meeting the China challenge.

The situation in the South China Sea remains a major concern for the US government. ARIA criticizes China's militarization of its seven artificial islands in the Spratlys as a challenge to the "US-backed international system", and reiterates America's commitment to upholding freedom of navigation and overflight in the area through Freedom of Navigation Operations (FONOPs).<sup>9</sup> On 10 February 2019, the US Navy conducted its 11<sup>th</sup> publicized FONOP in the South China Sea since Trump took office (only four were conducted during the Obama administration) when two US warships passed within 12 nautical miles of Mischief Reef one of China's seven manmade islands. ARIA calls on the US government to conduct FONOPs in the South China Sea with the country's allies and partners.<sup>10</sup> However, intrusive US-style FONOPs between the US and regional navies in the Paracels or Spratlys seems unlikely.

The January 2019 Director of National Intelligence (DNI)'s "Worldwide Threat Assessment" report anticipates that China will continue its military build-up in the South China Sea to "improve its ability to control access, project power, and undermine US influence" as well as to "compel Southeast Asian claimants to acquiesce to China's claims".<sup>11</sup> The Defense Intelligence Agency (DIA) report on China's military released in January assesses that Beijing will use its artificial islands to "surge" the Chinese navy and increase its "ability to exercise control of critical sea lanes of communication".<sup>12</sup> More broadly, DNI states that China is exploring the establishment of military bases, support facilities and access agreements with countries around the world, including in Southeast Asia. Specifically it highlights closer relations between Cambodia and China, and that changes to the Cambodian constitution "could lead to a Chinese military presence in the country"—a claim rejected by both the Cambodian and Chinese governments.<sup>13</sup>

As with the Trump administration's 2017 *National Security Strategy* and 2018 *National Defense Strategy*, ARIA commits the US government to strengthening defence ties with allies and partners in Southeast Asia to meet the strategic challenges posed by China—as well as terrorist groups such as the Islamic State in Iraq and Syria—by increasing arms sales, capacity-building support and military exercises. In the first few months of 2019, US defence diplomacy in Southeast Asia in support of those goals made some progress.

In February, for the second year running, US participation in the annual US-Thai Cobra Gold military exercises reached pre-2014 coup levels.<sup>14</sup> This was another indication that US-Thai relations have improved considerably since President Trump took office in 2017.

After the Hanoi summit, US Secretary of State Mike Pompeo travelled to Manila. The main purpose of his trip was to reassure the Philippine government of America's alliance commitments to the country under the 1951 Mutual Defense Treaty (MDT). Over the years, the Philippines has questioned this commitment, especially should its armed forces come under attack by China in the South China Sea; and in December 2018, Philippine Defense Minister Delfin Lorenzana called for a review of the MDT. In a press conference in Manila, Pompeo asserted that the South China Sea was part of the Pacific, and that in accordance with the terms of the MDT, an armed attack on Philippine forces in that area would trigger the MDT.<sup>15</sup>

However, Pompeo's comment was merely a reiteration of existing US policy and fell far short of calls for Washington to recognize Philippine administration of the eight islets under its control in the Spratlys and that those features were explicitly covered by the MDT.

Foreign Secretary Teodoro Locsin averred that the deterrent value of the MDT lay in its ambiguity. However, Lorenzana argued that in its current form the treaty could lead to either abandonment or entrapment: that the US might not come to the aid of the Philippines in a conflict with China, or that the Philippines could be dragged into a Sino-US war against its will, possibly triggered by a US FONOP in the South China Sea.<sup>16</sup> Lorenzana repeated his calls for the MDT to be reviewed.

## **US ECONOMIC POLICY AND SOUTHEAST ASIA**

The planned second Mar-a-Lago summit, whatever the outcome, will have a more direct impact on Southeast Asia. Regional stock markets have moved in synch with the reported up and downs in US-China preparations for a second summit. 2019 forecasts for the region and its most open economies highlight US-China trade tensions as a key negative external factor.

The build-up to this second Trump-Xi summit shares one important similarity and one important difference with the second Trump-Kim summit. The positive difference for those hoping to avoid a no-summit or no-deal outcome is that the senior officials' negotiating process is more comprehensive and sustained. There have been regular and frequent reported meetings of senior US and Chinese senior officials working to craft a deal to end, or not broaden, the retaliatory tariffs. President Trump indefinitely extended the 1 March deadline he imposed on China to offer the US a deal or face further tariff retaliation because "substantial progress" had been made at these working level talks.<sup>17</sup> The outcome of the Hanoi summit suggests that the progress in preparation for that meeting had not been substantial.

The worrying similarity is the wide gulf between the Trump administration's required remedies to unfair Chinese economic policies and actions as expressed by the Office of the United States Trade Representative (USTR) and what China is likely to offer. The latest USTR report released on 1 March, in the section on the ongoing US-China trade negotiations, states that the "USTR will remain vigilant in monitoring developments to ensure that China's actions are consistent with its international obligations and the commitments it has made to the United States in connection with the Section 301 investigation."<sup>18</sup>

President Trump could again be forced to choose between his desire for a deal or to uphold the stated US position on the issue. In Hanoi, the latter won out.

The Trump administration's trade policy agenda for East Asia, to the benefit of Southeast Asia, is heavily focussed on Northeast Asia. Renegotiating the US-South Korea trade deal, forcing China to change its mercantilist policies that affect the US, and negotiating a bilateral trade deal with Japan on US terms have been the priorities. It is unlikely that either of the last two will be achieved before the end of this presidential term.

So far, the probes of 16 trading partners with trade surpluses with the US that include Indonesia, Malaysia, Thailand and Vietnam (along with China, Japan and India) announced by the Trump administration in March 2017 have not led to trade remedy actions against the four Southeast Asian countries. However, on 4 March, the USTR announced the

withdrawal of GSP (Generalized System of Preferences) privileges for exports from Turkey and India, stating that,

“India’s termination from GSP follows its failure to provide the United States with assurances that it will provide equitable and reasonable access to its markets in numerous sectors. Turkey’s termination from GSP follows a finding that it is sufficiently economically developed and should no longer benefit from preferential market access to the United States market.”<sup>19</sup>

Indonesia and Thailand may face a similar fate.<sup>20</sup>

The predominance of Northeast Asian issues in the Trump administration’s Asia trade policy agenda, and the difficulty of arriving at deals with China and Japan, have likely spared the Southeast Asian economies with much smaller trade surpluses with the US from retaliation. So far, the economic outcomes for Southeast Asia of the Trump administration have been better than first feared. US officials concerned about regional reactions to the US-China ‘trade war’ would have registered Malaysian Prime Minister Mahathir’s comments that “at this moment, economically, we would prefer China. Politically, of course, we are not attracted towards a system of government that is very authoritarian.”<sup>21</sup>

## **ACKNOWLEDGING ASEAN**

If President Trump’s summitry defined US Asia policy then supporters of US-ASEAN relations could well be disappointed again. The chances of President Trump attending the ASEAN-US Summit and the East Asia Summit (EAS) in Thailand this November are not good. He has already made one trip to Southeast Asia. Japan is hosting the G-20 Summit in late June and President Trump has also been invited to the coronation of the new Japanese emperor in May. This year APEC will be in Chile, a much shorter flight from Washington, two weeks after the ASEAN meetings. A trip to the G-20 or APEC summits where a bilateral meeting with President Xi of China is possible could be more attractive than the EAS which Xi will not attend. The Abe administration coined the FOIP term whereas ASEAN and Southeast Asian states have not embraced FOIP.

Yet closer US engagement with ASEAN is a central theme of ARIA. ARIA calls for a US recommitment to ASEAN centrality and states that “The President should seek to develop to negotiate a comprehensive economic engagement framework” with ASEAN. It extends funding for the ASEAN Youth Volunteer Program and the Young Southeast Asian Leaders Initiative programme launched in 2012 and 2013 respectively. The law requires the Trump administration to develop a Strategic Framework to Engage ASEAN and to report annually to Congress on its implementation.

ARIA actually goes further than many ASEAN member-states may wish. It requires that the US administration develops a strategy to deepen cooperation with ASEAN “to improve the capacity of ASEAN to address human rights, democracy, and good governance issues in Southeast Asia”, and to “urge ASEAN member states to develop a common approach to reaffirm the decision of the Permanent Court of Arbitration’s ruling with respect to the case

between the Republic of the Philippines and the People's Republic of China" which rejected China's expansive jurisdictional claims in the South China Sea in July 2016.

Rather than ignoring Southeast Asia and ASEAN, the Trump administration's Asia policy may ask more of Southeast Asian states and ASEAN than they are prepared to give.

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<sup>1</sup> This is the sixth 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); "The Trump Administration and Southeast Asia: After the Singapore Summit", *ISEAS Perspective* #36/2018 (4 July 2018); and "The Trump Administration and Southeast Asia: America's Asia Policy Crystalizes", #77/2018 (29 November 2018).

<sup>2</sup> President Trump claimed that the piece of chocolate cake served to President Xi at the first summit was "the most beautiful piece of chocolate cake you have ever seen."

<https://www.youtube.com/watch?v=8nFv04njPtw>

<sup>3</sup> Joshua Gallu and David Tweed, "Trump's Asia summit snub fuels doubts about U.S. commitment", *Bloomberg News*, 1 September 2018,

<https://www.bloomberg.com/news/articles/2018-08-31/trump-to-skip-asia-summits-as-doubts-over-u-s-commitment-linger>

<sup>4</sup> "North Korea issued 'informal apology' to Vietnam over allegedly tricking citizen into assassination", *The Telegraph*, 12 December 2018,

<https://www.telegraph.co.uk/news/2018/12/12/north-korea-issued-informal-apology-vietnam-allegedly-tricking/>

<sup>5</sup> "Senior State Department Official on North Korea", US Department of State, 7 March 2019,

<https://www.state.gov/r/pa/prs/ps/2019/03/290084.htm>

<sup>6</sup> "Summit collapse clouds future of U.S.-North Korea nuclear diplomacy", *Reuters*, 25 February 2019, <https://uk.reuters.com/article/uk-northkorea-usa/trump-north-korea-give-conflicting-accounts-of-summit-collapse->

<sup>7</sup> "North Korea food production lowest in over a decade: UN", *Straits Times*, 7 March 2019, <https://www.straitstimes.com/asia/east-asia/north-korea-food-production-lowest-in-over-a-decade-un-0>

<sup>8</sup> See Asia Reassurance Initiative Act (ARIA) 2018, <https://www.congress.gov/bill/115th-congress/senate-bill/2736/text>; Director of National Intelligence (DNI), "Worldwide Threat Assessment of the US Intelligence Community", 29 January 2019,

<https://www.dni.gov/files/ODNI/documents/2019-ATA-SFR---SSCI.pdf>; Defense Intelligence Agency (DIA), "China Military Power: Modernizing a Force to Fight and Win", 3 January 2019, [http://www.dia.mil/Portals/27/Documents/News/Military%20Power%20Publications/China\\_Military\\_Power\\_FINAL\\_5MB\\_20190103.pdf](http://www.dia.mil/Portals/27/Documents/News/Military%20Power%20Publications/China_Military_Power_FINAL_5MB_20190103.pdf)

<sup>9</sup> ARIA, op. cit., p. 3.

<sup>10</sup> Ibid., p. 16.

<sup>11</sup> DNI, "Worldwide Threat Assessment", op. cit., p. 26.

<sup>12</sup> DIA, "China Military Power", op. cit., p. 103.

<sup>13</sup> Ibid., p. 29.

<sup>14</sup> “Cobra Gold, one of world’s largest multinational military exercises, kicks off in Thailand”, *Stars and Stripes*, 13 February 2019, <https://www.stripes.com/news/pacific/cobra-gold-one-of-world-s-largest-multinational-military-exercises-kicks-off-in-thailand-1.568443>

<sup>15</sup> “Remarks with Philippine Foreign Secretary Teodoro Locsin, Jr.”, US Department of State, Manila, 1 March 2019, <https://www.state.gov/secretary/remarks/2019/03/289799.htm>

<sup>16</sup> Ibid; “Philippine officials, Fearing War with China, Seeks Review of U.S. Treaty”, *New York Times*, 5 March 2019, <https://www.nytimes.com/2019/03/05/world/asia/philippines-defense-treaty-us.html>

<sup>17</sup> Cited in Ken Moriyasu “Trump extends March 1 tariff hike deadline on China”, *Nikkei Asian Review*, 25 February 2019, <https://asia.nikkei.com/Economy/Trade-war/Trump-extends-March-1-tariff-hike-deadline-on-China>

<sup>18</sup> *2019 Trade Policy Agenda and 2018 Annual Report*, USTR, March 2019, page 22, [https://ustr.gov/sites/default/files/2019\\_Trade\\_Policy\\_Agenda\\_and\\_2018\\_Annual\\_Report.pdf](https://ustr.gov/sites/default/files/2019_Trade_Policy_Agenda_and_2018_Annual_Report.pdf)

<sup>19</sup> “United States will terminate GSP designation of India and Turkey”, USTR Press Release, 4 March 2019, <https://ustr.gov/about-us/policy-offices/press-office/press-releases/2019/march/united-states-will-terminate-gsp>

<sup>20</sup> Alex Fang, “US move to end India trade benefit rattles Indonesia and Thailand”, *Nikkei Asian Review*, 6 March 2019, <https://asia.nikkei.com/Economy/US-move-to-end-India-trade-benefit-rattles-Indonesia-and-Thailand>

<sup>21</sup> Cited in Bhavan Jaipragas, “I’d side with rich China over fickle US: Malaysia’s Mahathir Mohamad”, *South China Morning Post*, 8 March 2019, <https://www.scmp.com/week-asia/politics/article/2189074/id-side-rich-china-over-fickle-us-malaysias-mahathir>

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