



PRESIDENT OBAMA'S TRIP TO ASIA: ASG'S 5 ESSENTIAL QUESTIONS

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CONTEXT OF PRESIDENT OBAMA'S TRIP TO ASIA

President Barack Obama will attend the Asia-Pacific Economic Cooperation (APEC) Economic Leaders' Meeting in Manila and the U.S.-Association of Southeast Asian Nations (ASEAN) Summit and East Asia Summit (EAS) in Kuala Lumpur from November 18-22 following the G-20 Summit.

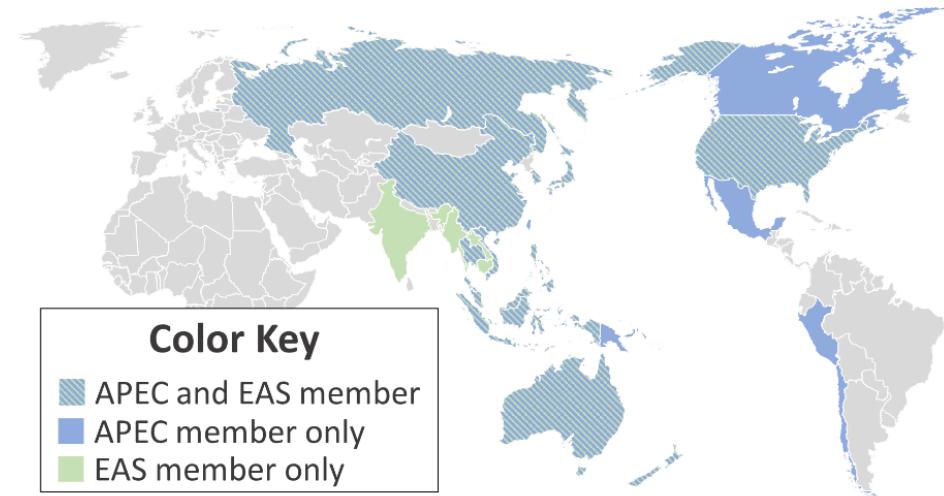


Chart by Albright Stonebridge Group

Throughout his trip, President Obama will seek to reinforce the message that the U.S. is an Asia-Pacific nation that is focused on playing an active role in the region's decision-making bodies. APEC and the EAS are crucial forums for U.S. foreign policy in the context of the Obama administration's rebalance to Asia.

The president, a regular participant in APEC and EAS, missed the 2013 meetings due to a U.S. government shut down, causing disappointment among allies in the region and casting doubt on the ability of the U.S. to sustain its commitment to a pivot to Asia. This worked to the advantage of Chinese President Xi Jinping and Premier Li Keqiang, who, in the absence of U.S. leadership, asserted a more prominent role in the meetings.

ABOUT ASG

Albright Stonebridge Group (ASG) is a leading global strategic advisory firm that helps our clients succeed by assessing and managing risks, identifying and seizing opportunities, and solving commercial, political, and regulatory challenges in international markets.

Chaired by former U.S. Secretary of State Madeleine K. Albright, White House National Security Advisor Samuel R. Berger, and Secretary of Commerce and Kellogg Company CEO Carlos M. Gutierrez, ASG's worldwide team has worked in more than 100 countries and across all major industries.

Below, ASG provides the 5 Essential Questions to consider when looking at this visit:

1. WHAT'S ON THE APEC AGENDA THIS YEAR?

As host, the Philippines has formulated a theme of "Building Inclusive Economies, Building a Better World," consistent with Philippine President Benigno Aquino III's economic agenda. Hosting a successful APEC is important for Aquino, who will leave office in 2016 following presidential elections in May. Manila's four priorities for the summit are (1) investment in human capital; (2) Small and Medium Enterprises' (SMEs) participation in regional and global markets; (3) sustainable and resilient community development; and (4) regional economic integration.

In accordance with these priorities, the agenda includes:

- **Inclusive Growth:** Members will seek to promote inclusive economic growth through increased liberalization and improving business practices throughout the APEC economies.
- **Environmental Goods:** Members will review implementation of an APEC commitment to reduce tariffs on a list of 54 environmental goods identified in the APEC Forum in 2012 to five percent or less by the end of 2015.
- **Trade Liberalization:** The forum will focus on the Free Trade Area of the Asia Pacific (FTAAP), the aspirational goal of an FTA that includes all 21 members of APEC. Last year, APEC leaders agreed to a "Beijing Roadmap" for the FTAAP, which includes a study to be presented to leaders by year end 2016.
- **Information Technology Agreement (ITA):** Perhaps the most substantive trade topic for discussion at APEC will be ongoing negotiations on the WTO's ITA. The ITA is the first major tariff-cutting deal at the WTO in 18 years and is expected to eliminate tariffs on an additional \$1 trillion in IT trade.
- **Improving Health Systems across APEC Economies:** Members will also look to discuss the implementation of the "Healthy Asia Pacific 2020 Initiative," which APEC health ministers endorsed last year in China.

2. WHAT ROLE WILL TPP PLAY IN THE APEC DIALOGUE?

The president will use APEC as a platform to meet with leaders of the 11 other Trans-Pacific Partnership (TPP) nations to formally welcome the joint agreement. According to U.S. officials, expanding TPP membership in the future is unlikely to be a topic at this year's summit as current TPP partners are focused now on ratifying the agreement. Several APEC members including China, Indonesia, the Philippines, Taiwan, and South Korea have expressed possible interest in joining the agreement, and TPP, which has an open accession clause, could be a building block for regional economic integration.

Though TPP would help advance many of APEC's regional economic goals for the 12 members it includes and others who may join later, the U.S. power broker role in negotiations poses a palpable challenge to China's efforts to claim regional economic leadership. Given the release of the TPP text on November 5, China may feel that it has been put on the defensive, as progress has been fitful in the negotiations for the Regional Comprehensive Economic Partnership (RCEP) that involves sixteen Asia-Pacific economies, including China but not the United States. As a result, China may try to use this year's summit as an opportunity to again highlight its regional role by promoting discussion of FTAAP as a central initiative for all APEC members, while the U.S. remains focused more narrowly on TPP.

3. WHAT IS THE SIGNIFICANCE OF PUTIN AND JOKOWI'S ABSENCE FROM APEC THIS YEAR?

APEC attendance is important to the member economies and absences by leaders are a focal point for the media. Indonesian President Joko Widodo and Russian President Vladimir Putin will not be present at this year's APEC Summit, disappointing this year's host country, the Philippines, as well as participants at the APEC CEO Roundtable, where the two leaders were scheduled to deliver remarks. A Widodo spokesman indicated that the president will miss APEC because he is consumed with a packed agenda of international summits and urgent domestic matters in Indonesia. President Putin's office explained that he cancelled his trip to tend to the sensitive investigation of the Russian plane crash in Egypt.

4. WHAT'S ON THE EAS AGENDA THIS YEAR?

President Obama will seek to leverage EAS as a platform to pursue his administration's strategic goals in the Asia-Pacific. In the wake of bombings in Beirut and Paris, counterterrorism will almost certainly move up the agenda. Other priority areas include the management of territorial disputes in the South China Sea and strengthening regional cooperation on the economy and climate change.

President Obama will probably also use the U.S.-ASEAN Summit and EAS as an opportunity to congratulate Myanmar President Thein Sein on a peaceful election.

- **South China Sea:** Any discussions of the issue are likely to be extremely contentious. The South China Sea, where China and several ASEAN members have outstanding territorial disputes, has emerged as a serious point of tension this year following China's island-building in contested areas. U.S. National Security Advisor Susan Rice indicated that territorial disputes in the South China Sea will be a central topic of discussion at EAS and the U.S.-ASEAN Summit, immediately following APEC, where the Philippines as chair has agreed to leave the topic off the agenda.
- **Climate Change Cooperation:** The Obama administration has put strong emphasis on climate change in the lead-up to the United Nations Conference on Climate Change in December. Many EAS members, especially the United States, China, and India, are among the world's largest emitters of carbon dioxide.
- **Regional Economic Integration:** ASEAN, under Malaysia's chairmanship, is intently focused on reviving flagging efforts to realize the ASEAN Economic Community (AEC) by the end of the year. Adopted in 2007, the AEC seeks to transform ASEAN into a highly competitive single production base and allow the free flow of goods, services, investments, and skilled labor and the movement of capital across the region. In November 2014, ASEAN reported that approximately 88 percent of AEC goals had been achieved, but the business community remains skeptical. Continued weakness in Asian economies, which have been important drivers for international growth since the 2007 global financial crisis, could hinder the fragile recovery of the world's economy, and EAS countries will look to find ways to keep their economic ties strong against these headwinds.

5. HOW WILL THESE SUMMITS IMPACT THE INTERNATIONAL BUSINESS COMMUNITY?

APEC brings major geopolitical powers China, Russia, Japan, and the U.S. together on one economic stage at the head of state level and includes several opportunities to interact with senior business community leaders. The summit is an important forum for building commitment to free trade and investment. President Obama will look to expand U.S. business opportunities in the Asia-Pacific throughout his trip,

given that over half of U.S. trading partners are in APEC. APEC facilitates direct industry-to-regulator conversations through the APEC CEO Summit and the APEC Business Advisory Council (ABAC).

In the medium-term, global companies will likely benefit from the scheduled dialogue on tariff reductions in support of key regional health, technology, and environmental initiatives under APEC and EAS. ABAC has pushed for renewed conversation on the WTO's ITA, which would lower market access barriers for innovative medical technology and device companies, among other IT companies, in 81 markets and support APEC's efforts to improve regional health systems if implemented. China and South Korea, both APEC member economies, have demanded a longer tariff phase out period in protection of their domestic technology and medical products industries. This year's APEC Summit, which occurs less than a month ahead of the WTO's December 15-18 ministerial conference in Nairobi, Kenya, could serve as an important advocacy platform for proponents of the shorter phase out period, including the United States. Participants hope to complete the ITA before the WTO ministerial conference in mid-December.

In a similar vein, lowering tariffs on environmental goods would help both APEC and EAS members address vulnerabilities to climate change and support global trade in environmental goods, which is estimated at around \$1 trillion annually. In 2013, the U.S. exported \$106 billion of environmental goods.

For more details on the agenda for each of these summits, see [ASG's President Obama's Trip to Asia](#) full briefing document.

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