The impact of the Trump administration’s Indo-Pacific strategy on regional economic governance

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The U.S.' Indo-Pacific Strategy and Its Impacts on the Future Development of Asian Economic Architectures

By

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INTRODUCTION

During his visit to Asia in November 2017, US President Donald Trump unveiled the "Free and Open Indo-Pacific" Strategy as the U.S.' approach to Asia. On 2nd April 2018, Deputy Assistant Secretary Alex Wong of State Department's Bureau of East Asian and Pacific Affairs gave a special briefing to elaborate further on this Strategy (Wong 2018). While acknowledging there exists the strategic part of the Strategy, this study focuses on examining its economic aspects. In other words, my paper scrutinizes the economic components of the U.S.' Indo-Pacific strategy and their impacts on the future development of Asian economic governance. In this light, this research is aimed at assessing how Indo-Pacific and Asia-Pacific policies would interact to alter the future advancement of Asian economic architectures, and coining policy recommendations for the U.S. and Asian policymakers on what they should do to lessen clashes among their different agendas and policies and push forward the construction of regional economic governance. Hence, I seek to shed light on the following questions: "What are the economic components of America's Indo-Pacific strategy?", "How has this policy been received by regional states?", "How will Indo-Pacific and Asia-Pacific policies interact to shape the future advancement of Asian economic architectures?", and "What should American and regional policymakers do to prevent or lessen conflicts among their different policies and strategies and further foster economic regionalism?"

This paper is organized as follows. The following section discusses a brief history of the U.S.' Indo-Pacific Strategy. The second part unpacks the economic elements of this policy. This is followed by the regional states' receptions of the Strategy. The fourth part examines the interplay among America's and regional players' agendas and policies concerning regional economic governance architectures. The fifth and last section provides policy recommendations for the U.S. and Indo-Pacific participants to enhance economic collaboration among them.

1. The History of the U.S.' Indo-Pacific Strategy

The Indo-Pacific as an idea of strategic thinking is not new. It was coined by Gurpreet Khurana in his 2007 *Strategic Analyses* article. In this piece, this term was used to refer to two strategic and political spaces encompassed by the Indian and Pacific Oceans. The conceptualization has gained traction in the policymaking circle over time. Some examples include Japanese Prime Minister Shinzo Abe's speech "The Confluence of the Two Seas to the Indian Parliament in 2007 and Australia's 2013 Defence White Paper on the Asian Century. The Indian government has incorporated this concept since 2012 to showcase New Delhi as a regional power. American policymakers also found this notion very familiar. For instance, the Department of Defence's Indo-Pacific Command (previously called Pacific Command until its renaming in May 2018) has operated across two water bodies as a single interconnected geostrategic plane. The former President Obama's Administration leaned on the Indo-Pacific concept to emphasize India as the "pillar" of its Asia policy. Such recognition of New Delhi as one of key regional players contributed to soaring US-India ties under his Presidency (Interview with a former White House staff 2018). The upgrade of an annual strategic dialogue to a strategic and commercial dialogue in 2015 as a platform to discuss bilateral relations at the highest political level was a case in point (Mistry 2016).

While Washington has relied on the term "Indo-Pacific" to conceptualize the region and formulate its foreign policies, the Trump Administration's use of this notion departed from the previous eras in the following aspects. First, it was the first time that this notion appeared in a national document such as the National Security Strategy (NSS). Also, the Indo-Pacific policy was crafted in a light of rising and revisionist China (Grossman 2018). Furthermore, the policy was formulated based on an assumption that China and U.S. are locked in a power contestation.

What motivates the Trump Administration to coin and pursue the Indo-Pacific Strategy? Several reasons warranted this Administration's decision to embark on this policy. First, Trump's cabinet viewed that U.S. and China are in a strategic competition which has been displayed in the Indo-Pacific region, and if the contestation is not well managed, it can jeopardize U.S. interests (Interview with an American official 2018). The national documents cast Beijing as a revisionist power. For example, the National Defense Strategy of 2018 contended that "China is leveraging military modernization, influence operations, and predatory economics to coerce neighboring countries to reorder the Indo-Pacific region to their advantage" (NDS 2018, 2). Likewise, National Security Strategy (NSS) of 2017 conveys that "China seeks to displace the United States in the Indo-Pacific region, expand the reaches of its state-driven economic model, and reorder the region in its favor" (NSS 2017, 25). Moreover, Washington was specifically concerned about Beijing's economic diplomacy, namely the latter's policy combinations of inducements and coercion to shape foreign policy behaviours of particular regional stakeholders. As the NSS highlights, Beijing "is using economic inducements and penalties, influence operations, and implied military threats to persuade other states to heed its political and security agenda. China's infrastructure investments and trade strategies reinforce its geopolitical aspirations" (NSS 2017, 46). This economic diplomacy partly accounted for Beijing's ability to utilize its economic leverage to gain an upper hand in international disputes namely in the South China Sea which potentially "endanger the free flow of trade, threaten the sovereignty of other nations, and undermine regional stability" (NSS 2017, 46). Beijing's assertiveness is not limited to the Asia-Pacific arena. It increased naval clout in the Indian Ocean has raised concerns among several parties namely Australia and India (Siedel 2018). Since the Chinese anti-piracy patrols began in 2008, the state has over time increased the number of its vessels as well as deployed a combination of nuclear and conventional submarines in 2013-2017 (Sen 2017). In 2015, Beijing inked an agreement with the Djibouti government to set up its first overseas military base (Perlez 2015). At the time of this writing, China is reportedly planning to build a naval base in Pakistan's Gwadar port which could alter international security dynamics (Brewster 2018). Additionally, Chinese involvement in Myanmar, Bangladesh and Sri Lanka has been viewed as driven more by strategic than economic logics (Samaranayake 2012). Projecting into the future, several Indo-Pacific parties feared that China's ambitions coupled with its tools such as Belt Road Initiative (BRI) would ultimately augment its assertiveness, undermining the region's peace and stability (Interview with McDevitt 2018). Such apprehension was reflected in the NSS 2017 which argues that "[s]tates throughout the region are calling for sustained U.S. leadership in a collective response that upholds a regional order respectful of sovereignty and independence" (NSS 2017, 46). In short, the U.S.' Indo-Pacific Strategy was coined against this backdrop to assure the American partners that Washington is here to work with them to foster the "free and open Indo-Pacific".

Another motivation was America's recognition of the "Asia Century" as important to its economy. The Indo-Pacific is seen as a zone where America's economic future will lie. Illustratively, it houses the world's most dynamic economies and more than 50% of world's population, which can be one of the lucrative markets for U.S. businesses. Around 60 % of the global maritime commerce passes through Asia (UNCTAD 2016). According to one analysis, "[t]he Indian Ocean and the Asia Pacific will be at the centre stage of the global container market" in the next two decades (Futurenautics 2013: 76). In the realm of energy, the South China Sea is where about 40% of the world's liquefied natural gas trade occurs (U.S. EIA 2017). Yet, the area has several choke-points that risk jeopardizing the freedom of navigation, a principle which Washington dearly upholds (Green and Shearer 2012). Consequently, the Indo-Pacific Strategy was crafted to safeguard the U.S. current and future commercial stakes in the region (Interview with NSC Official, date). Additionally, this American policy was driven by Washington's realization that it needs to convince its regional partners to beef up their responsibilities in fostering regional stability. For example, this Strategy regards India as a potential stabilizing actor on security and economic fronts. As some scholars claimed, it reflects that the Trump Administration is conducting Jacksonian Foreign Policy which requires more burden-sharing by allies. In short, the players that U.S. promises to defend must do their parts or meet their obligations (Clarke and Ricketts 2017; Hanson 2017).

2. <u>The Economic Components of the U.S.' Indo-Pacific Strategy</u>

The U.S. envisages "Free and Open Indo-Pacific" as "a region where sovereign and independent nations and diverse cultures can all prosper side-by-side, and thrive in freedom and in peace" (Douglas 2018). The policy hinges on two modifiers: "Free" and "Open." By "free", it means freedom from coercion by other players entailing the concepts of sovereignty, rules-based order, and dispute settlement. "Open" refers to open commons (e.g. sea lanes, airways, cyberspace), open logistics (e.g. connectivity that drives regional growth and integration), open investment (e.g. investment environment fostering market economics), and open trade (e.g. free, fair, reciprocal trade). This Strategy is also inclusive as Washington welcomes other like-minded countries to join force in enhancing the Free and Open region.

Economics is seen as key to this American Strategy. The Trump Administration puts more emphasis on economic matters than other administrations (Interview with Sutter 2018). This is evident in the NSS positing that "economic security is the U.S. national security" and "a strong economy protects the American people, supports our way of life, and sustains American power" (NSS 2017, 17). As a result, Washington would tailor its "approaches to different regions of the world to protect U.S. national interests" (NSS 2017, 45). The U.S. policy in the Indo-Pacific is no exception. Regarding the direction on how the U.S. would engage with the region economically, the NSS suggests the overarching theme is the creation of good regional economic governance. The text indicates that Washington

> will encourage regional cooperation to maintain free and open seaways, transparent infrastructure financing practices, unimpeded commerce, and the peaceful resolution of disputes . . . pursue bilateral trade agreements on a fair and reciprocal basis . . . seek equal and reliable access for American exports . . . work with partners to build a network of states dedicated to free markets and protected from forces that would subvert their sovereign [and] strengthen cooperation with allies on high-quality infrastructure" (NSS 2017, 47).

More detailed policy directions can be teased out from in Deputy Assistance Secretary Alex Wong's press briefing in April 2018 unveiling Washington's plans to collaborate with the regional participants in three economic areas: (1) Trade, (2) Investment, and (3) Infrastructure/Connectivity. On trade, **t**he Administration aims at fostering "free, fair, and reciprocal" trade by lowering barriers (Interview with U.S. State Department official 2018(a)). To America, the principles of "fairness" and "reciprocity" serve as basis for trade openness and upholding of a contract, and Washington wants to promote these principles to redress its trade deficit issue partially caused by Asian nations' tariffs and non-tariff barriers (Interview with a White House official 2018). Moreover, President Trump's Trade Policy Agenda and Annual Report submitted to the Congress in March 2018 further elaborates on how the Administration would promote such "free, fair, and reciprocal" trade. The Report stressed that this trade policy rests on five major pillars and two of them have international aspects: negotiating better international deals, and reforming the multilateral trading system. Regarding the former, Washington attempts to strike with other economies deals more favourable to its workers and businesses by, for example, improving the existing bilateral free trade agreements (FTAs) namely North America Free Trade Agreement (NAFTA) and Korea-U.S. FTA (KORUS). As for the parties to the Trans-Pacific Partnership (TPP) – a mega trade deal the U.S. withdrew in January 2017 – which do not have a bilateral trade contract with Washington, the Administration "will continue efforts to build stronger, better, and fairer trading relationships with these countries" (USTR 2018, 12). Regarding multilateral trading system reform, the Administration desires to make the system work better in ways that it can more effectively safeguard American interests. The Report also connotes America's willingness to work with like-minded participants to build global trade system which increases the living standards of American and other citizens.

On investment, Washington wants to boost investment climate, enhance the private sector participation, and ensure that investment in the region encourages entrepreneurship and innovation. Deputy Assistant Secretary Alex Wong remarked that the U.S. is supporting "more open investment environments, more transparent regulatory structures . . . so that the region is not only open to more U.S. foreign direct investment, but that indigenous populations, indigenous innovators, indigenous entrepreneurs can take advantage of the investment environments to drive economic growth throughout the region (Wong 2018)." To America, creating good rules facilitating investment between itself and regional economies as doing so will not only heighten trade and investment but also bolster prosperity for all involved, resulting in a win-win situation (Interview with a White House official 2018). As far as infrastructure/connectivity is concerned, the Administration wants to promote good governance especially in regards to the facilitation of high-quality infrastructure, best-value or cost-effective connectivity projects and sustainable development (NSS 2017, 47). It also wants to forge and strengthen partnerships with regional participants and institutions to identify, finance and implement fiscally sound connectivity projects (Interview with U.S. State Department official 2018(a)). This is unsurprising because Washington was increasingly disturbed by China's BRI and its state-driven model of infrastructure development usually geared towards reaching the financier' strategic aspirations (Interview with a U.S. Congressional staff 2018). To delineate this point, the 2017 U.S.-China Economic and Security Review Commission's Report raised concerns about China's roles in connectivity projects in Mainland Southeast Asia where the country has "capitalized on regional countries' infrastructure needs" (U.S.-China Economic and Security Review Commission 2017,11). Beijing's financial support enabled it to get access to key strategic locations such as ports, and tip these ASEAN members' policy behavior in its favor. The

Report also questioned Beijing's business model on the accounts of transparency, impacts on environment and local people's livelihood. For instance, "Chinese dams on the Mekong River threaten the food security of 60 million people, creating significant stability risks" (U.S.-China Economic and Security Review Commission 2017, 11). Therefore, the U.S. plans to develop financing institutions and work with like-minded entities in order to promote a developmental model encouraging private sector involvement, supporting economic growth, as well as bringing tangible benefits to local societies (Interview with a White House official 2018).

America's connectivity pursuit is reflected in Trump's remarks at the CEO Summit of Asia-Pacific Economic Cooperation (APEC) in Vietnam in November 2017. He pledged to support multilateral financing institutions namely the "World Bank and the Asian Development Bank to direct their efforts toward high-quality infrastructure investment that promotes economic growth" and reform the American "development finance institutions so that they better incentivize private sector investment in your economies, and provide strong alternatives to state-directed initiatives that come with many strings attached" (White House 2017). Following his rhetoric, some works are being undertaken. The bipartisan Better Utilization of Investments Leading to Development Act of 2018 (or BUILD Act) aimed at consolidating the American development financial authorities was introduced in the Congress on 1st March 2018. If passed, it will create "the U.S. International Development Finance Corporation (IDFC), assuming the activities of the Overseas Private Investment Corporation (OPIC), USAID's Development Credit Authority, USAID's Enterprise Funds, and USAID's Office of Private Capital and Microenterprise" (U.S. Senate Committee on Foreign Relations 2018). Also, the bill grants to the entity "the ability to make equity investment, a doubling of the contingent liability ceiling to $60 billion, and an extended operating authority" (Ingram 2018). If the BUILD Act becomes a law, OPIC will be empowered, heightening Washington's connectivity assistance in the Indo-Pacific region. Moreover, Washington and Japan jointly coined the following initiatives. For instance, the two powers endorsed in November 2017 a Memorandum of Understanding (MOU) between the U.S. Trade and Development Agency (USTDA) and Japan's Ministry of Economy, Trade and Industry (METI) and a MOU between Japan's Bank for International Cooperation (JBIC) and U.S.' Overseas Private Investment Corporation purposed to provide high-quality energy infrastructure for emerging Indo-Pacific clients. Also in that month, the U.S.-Japan Strategic Energy Partnership to promote access to affordable and reliable energy in Southeast Asia, South Asia, and Sub-Saharan Africa was launched (JBIC 2017). In addition, America, Japan, India, and Australia are collectively examining ways to set up financing schemes to mend the connectivity gaps in the region (Reuters 2018a).

3. <u>Regional States' Receptions of the U.S.' Indo-Pacific Strategy</u>

The U.S.' vision of "Free and Open Indo-Pacific" has been met with positive reactions from certain regional states as it converges with what the latter had in mind. The Japanese version of its own "Free and Open Indo-Pacific" Strategy emphasizes the importance of "maintaining an strengthening a free and open maritime order based on the rules of law in this region … and making the seas as a "global commons" that brings stability and prosperity to all countries" (Sonoura 2018). India envisaged the Indo-Pacific as a free, open, rules-based, and inclusive region (Government of India 2018). Furthermore, the 2017 Australia's Foreign Policy White Paper depicts the country as "determined to realise a secure, open and prosperous Indo–Pacific" (Australian Government, 2017, iii). The U.S. policy also aligns with Australia's interest in maintaining the balance of power in the region as outlined in the latter's Foreign Policy White Paper (Australian Government 2017, 4). In addition, Indonesia's concept of the Indo-Pacific collaboration rests on the principles of openness, transparency, inclusive, and upholding of international law (Marsudi 2018).

Several regional actors were delighted to learn that the U.S. sees the importance of small- and medium-sized actors and multilateral institutions in shaping regional governance architectures (Interview with Asian diplomats 2018). Such stance was reflected in the NSS document (NSS 2017, 46) and Wong's remark (2018) that

> [considering] the strategic logic of an organization like ASEAN, it's an opportunity for small and medium-sized countries to band together, use their collective weight, work in consensus in order to balance larger powers in the region and throughout the world. . . [Thus, the American] corollary policy . . . is to invest or continue to invest in ASEAN, continue to invest in APEC, to ensure that these regional organizations which convene the nations of the entire Indo-Pacific are committed to the principles. . .[Washington considers to create] strategic, . . .[and] economic benefits" (Wong 2018)

For one thing, this American policy situates Southeast Asia in the middle or a "heart" of the Indo-Pacific region, paving way for the latter's elevated roles in altering the future development of regional architectures. It also alludes to Washington's desire to leverage on regional mechanisms to further deepen economic collaboration among itself and regional parties. Nevertheless, some degree of uncertainty persists. Many Asian policymakers cast doubt on how exactly the U.S. will implement its plans to advance economic cooperation in the three areas: trade, investment, and infrastructure as it has pledged (Interview with Asian diplomats 2018). "What are the actual programmes that Washington wants to create and/or advance to help it accomplish such collaboration?" is a jury-still-out question. Also, some regional states perceived that the U.S.' vow to leverage on regional platforms such as ASEAN and APEC to execute its Indo-Pacific Strategy seemed rather empty because little concrete actions have followed such pledge (Interview with a former State Department officer 2018). To sum up, although more articulation of U.S. Indo-Pacific Strategy is needed to be made, the policy at its current form indicates America's continued engagement with regional players and multilateral institutions which is to some degree reassuring the Indo-Pacific actors (Interview with an American academic 2018). As a result, this partly explained why this policy has been welcomed by the latter's governments.

It is worth-noting that the degree of Indo-Pacific parties' reception of the U.S.' Indo-Pacific Strategy varies across economic areas. Washington's plans to engage the region in the realm of connectivity/infrastructure have met with more positive feedback when compared with the other two aspects. Several Indo-Pacific stakeholders applauded America's agenda to supply alternatives to the existing options to help fulfil their infrastructure needs (Interview with Asian diplomats 2018). According to the Asian Development Bank (ADB) (2017), there exists a huge financing gap in developing Asia. The zone would need more than $1.7 trillion annually from 2016 to 2030, but multilateral development banks were able to fund only 2.5% of the demand. This deficit partly contributed to the delayed implementation of regional connectivity programmes. For example, the Trans-ASEAN Gas Pipeline programme purposed to connect Southeast Asia's gas exporters to consumers and ASEAN Power Grid initiative aimed at combining national energy markets into a regional one were less than 50% completed by 2015 (Pitakdumrongkit 2018).

Also, the U.S.' plan sync well with some regional states' preference for power balancing (Interview with an Asian policymaker 2018). Craving for connectivity improvement notwithstanding, the Indo-Pacific stakeholders do not blindly scramble for external support.

They increasingly realize the risk of a sovereignty trade-off especially when they overwhelming rely on certain donors and financiers over the others. Financial and other kinds of assistance given by other actors often comes with “string attached” which may in some days enable donors to gain leverage over recipients altering international dynamics (Interview a former State Department officer). Since the 99-year lease of Sri Lanka’s Hambantota Port to China and the deal of a 414-kilometer Vientiane-Kunming high-speed railway project between China and Laos were announced, sovereignty concerns heightened. Regarding the Sino-Laos high-speed rail programme, observers raised questions about the project’s commercial viability, Laos’ ability to pay back loans, and expropriated land (Hutt 2018). To elaborate, the scheme is worth US$6 billion which is about half of the state’s 2016 GDP of US$13.7 billion. It was also reported that Beijing reached a deal with Laos to take the latter’s land for 50 meters on each side of the track (Janviroj 2017).

Not only such news triggered the Indo-Pacific participants’ apprehension of a sovereignty compromise resulting from their economic development aspirations, it also fuelled their pushback against external assistance and compelled them to tread the water more cautiously. For instance, India also halted the progress of Bangladesh-China-India-Myanmar (BCIM) originated in 1999 as it was roped under China’s BRI banner (Singh 2018a). In Cambodia, the public’s outcry concerning the lack of transparency and environmental impacts of BRI projects on its soils have recently intensified (Moss 2018). After the Cambodian authorities approved the plan to build in Kandal province the biggest airport in Southeast Asia supported by the China Development Bank, the civil society reprimanded the programme’s debt sustainability (Kimsay and O’Bryne 2018). While some Indo-Pacific participants pushed back against their donors and external influence, others chose to diversify. For instance, Indonesia’s Jokowi Administration, despite awarding China with a Jakarta-Bandung high-speed railway project in 2015, tried to navigate among big powers (Moss 2018). “Concerned about appearing to be in China’s pocket, senior government officials are looking to South Korean and Japanese investors to provide more balance.” The officer reportedly encouraged the Japanese firms to bid for the state’s oil and gas blocks in 2017 (McBeth 2017). Moreover, at the time of this writing, the 350-kilometer Singapore-Kuala Lumpur high-speed train project is currently up for open bidding and it is expected to witness a face-off among European, Chinese, and Japanese companies (Mazumdaru 2018). In sum, particular Indo-Pacific states are keen to see U.S. providing additional infrastructure assistance because this would widen a range of possible connectivity programmes for them to choose from, allowing them to undertake power balancing to serve their own interests.

Nevertheless, certain regional stakeholders are sceptical about to the extent to which America could implement its connectivity policy. For one thing, the country has $50 trillion in saving yet to be invested abroad (Abramowicz 2016). The money is likely to come from the American private sector which has little appetite for connectivity investment in the Indo-Pacific due to the latter’s poor investment grade credit-ratings and availability of few bankable projects (Bhattacharyay 2015). One study found that about 55%-65% of the connectivity projects in Asia are unbankable without support from governments or multilateral financing institutions (Marsh & McLennan Companies 2017). Moreover, an American authority noted that infrastructure financing by the U.S. firms in Asia has declined since the Asian Financial Crisis of 1997-1998 as the American resources were diverted from the region to fulfil the rising connectivity demands in the U.S. Moreover, the country’s business model renders its public officers less able to effectively rally the private sector to invest in where they desire. This thus tempted the regional states to question Washington’s ability to harness its private finance to contribute to connectivity projects in the Indo-Pacific.

Furthermore, many regional actors doubt the U.S.' ability to tailor connectivity programmes to fit the needs of the region so diverse because different Indo-Pacific economies are at dissimilar stages of development (Interview with a U.S. thinktank scholar 2018).

In the area of investment, Asian nations welcomed the principles laid out by the Administration, especially increased private sector investment, encourage investment projects that can boost entrepreneurship and innovation because these elements aligned with what they were pursuing. Yet, they are unsure what the U.S.' policy measures would be as less has been known about rules and regulations to be crafted to promote or uphold the above principles. Moreover, regional states raised questions about the agents making these rules. "Will Washington be willing to work together with several Asian actors to jointly develop rules to bolster good investment governance architectures?", and "Will the U.S. single-handedly create rules and impose them on other regional stakeholders?" were frequently discussed by Indo-Pacific policymakers (Interview with Asian diplomats 2018).

Also, Indo-Pacific stakeholders were worried about the implications of the recent American actions on the future of U.S.-Asia investment flows. Illustratively, the Administration approved the bill what would expand the authority of the Committee on Foreign Investment in the United States (CFIUS) – an inter-agency committee mandated to review transactions that can lead to foreign acquisitions of American businesses to determine their effects on the American national security. The bipartisan Foreign Investment Risk Review Modernization Act (FIRRMA)'s two versions were approved by the House Financial Services Committee and the Senate Banking Committee on 22nd and 24th May respectively. Experts anticipated that some kinds of transactions under CFIUS' purview is likely to be passed by the Congress in August, questions remains whether the agency would be granted power to oversee additional types of transactions including "investments where a foreign company would not necessarily gain control of a U.S. firm . . . [such as] . . . joint ventures between U.S. and foreign companies, minority stake investments and transactions near military bases or U.S. government facilities" (Lane 2018). Also, whether such review would be under the jurisdiction of CFIUS or Export Administration Regulations of the Commerce Department is still up for debates (McQueen 2018). This America's effort to reform CFIUS sparked angst among not only the American but also Indo-Pacific investors. It is often argued that the FIRRMA was mainly driven by Washington's desire to prevent Chinese takeovers of American firms and access to the former's technology (Cowan 2018). Nevertheless, Indo-Pacific clients are aware that their own investment might not be completely off the hook. CFIUS' blocking of the takeover of an American chipmaker Qualcomm by a Singapore-based Broadcom in March 2018 is a case in point (Granville 2018). The FIRRMA bill, if approved, will expand the scope of the agency's review to cover other industries such as real estate acquisitions near the American military facilities (Hufbauer 2017). Additionally, one expert warned that this CFIUS reform could result in greater restrictions of U.S. outbound investment into the Indo-Pacific region. These can further undercut the cross-border capital movements between American and regional economies (Interview with an American thinktank 2018).

As far as trade is concerned, several Indo-Pacific participants doubt the U.S. commitment in this area after the state pulled out of the TPP. The sentiment of uncertainty earlier shared by regional actors changed to the one of disruption when Trump inked a MOU to impose 25% and 10% tariffs on imported steel and aluminium in March 2018 which potentially hurt not only these industries but also other sectors using these commodities as inputs (Interview with a former U.S. Congressional staff 2018). At the time of this writing, the U.S. threatened in June 2018 to impose tariffs on steel and aluminium from Canada, Mexico, and the European

Union (E.U.), and China. Concerning the latter, U.S. Commerce Secretary Wilbur Ross's negotiation with Chinese Vice-Premier Liu He in Beijing on 2nd - 3rd June yielded no new agreement. Beijing on 4th June vowed that if Washington actually slaps tariffs on $50 billion of its exports scheduled to take place later this month, "all the economic and trade benefits negotiated by both sides are not going to take effect." In its response to the Trump Administration's plan to charge new tariffs targeting China's high-tech manufacturing sectors which will be activated in the middle of the month, Beijing said it would counter with its duties on several American products. Several U.S. goods would likely to take a hit, namely soybeans, wheat, automobiles, and airplanes (Morris 2018).

Although some experts argued that a Sino-US trade war may eventually be evaded because it will entail cost too high for both sides (Interview with an American thinktank scholar 2018), this logic has not effectively hampered the angst held by Indo-Pacific parties for a few reasons. First, stark differences between both sides await resolution. Washington demanded Beijing to scrap its subsidies to industries under the Made in China 2025 Initiative aimed at accomplishing Chinese prominence in ten strategic sectors such as aviation, robotics, and new energy vehicles. However, the latter insisted that "its industrial strategy was non-negotiable" (South China Morning Post 2018). Second, Indo-Pacific nations acknowledged a shift of U.S.' sentiment towards China. The majority of American thinktanks and politicians shared a position that China's non-compliance to international laws warrant harsher American measures towards the latter. Capitol Hill's silence following the Trump Administration's threat to slap tariffs on Chinese products is a case in point. No Congressperson or senator came forward to chastise such action. (Interview with a former Defense Department authority 2018). Another factor involves Trump's cabinet reshuffle. That Larry Kudlow replaced Gary Cohn in March 2018 as the chief economic advisor has weakened the globalization fraction within the cabinet (Interview with Sutter 2018). As a result, Indo-Pacific stakeholders did not completely rule out a full-blown trade battle between the world's two biggest economies.

Such trade showdown will not bode well for Indo-Pacific states. As their economies are intertwined in cross-border production networks, they foresee themselves suffering from a collateral damage. The America-China confrontation can to some degree hurt the intermediate good exports among regional economies. The latter distribute parts and components to China, which then undertakes an assembling task and ships the final products to the U.S. market. American tariffs on various Chinese products in the trade war discourage the sales of the latter's goods. This leads to a reduction of the other regional states' intermediate goods exports. Moreover, such tariff duelling will likely to significantly erode the competitiveness of smaller and medium enterprises (SMEs) than large corporations as the former are less able to relocate their factories and shift their supply chains from one country to another (Interview with a former Congressional staff 2018). SMEs are backbone of several Asian economies, making up more than 90% of all businesses, contributing to one-thirds of the total export value, as well as providing two out of three private sector jobs in the region. As a result, the U.S.-Sino trade war will undermine the regional states' enterprises and economies (Yoshino and Taghizadeh-Hesary 2016). Some Indo-Pacific leaders have not been shy to voice their concerns. Australian Prime Minister Malcolm Turnbull remarked that nobody would win from a trade confrontation (SBS news 2018). Likewise, Singapore's Prime Minister Lee Hsien Loong maintained that "unilateral tariffs are not the correct solution. A trade war between the United States and China . . . if breaks out, it will gravely undermine the rules-based multilateral system that has underpinned global prosperity since the end of World War II. Countries around the world, big and small, will be hurt" (Loong 2018).

Another source of Indo-Pacific actors' agitation was the Trump Administration's fixation on the goods trade deficits and focus on protecting U.S.' intellectual property rights. These are reflected by the reports of the United States Trade Representative (USTR). The entity released a study listing several regional states having goods trade surplus with Washington (Interview with US-based thinktank). Also, the USTR's Notorious Market List published in January 2018 named several online and physical markets in China, India, Indonesia, Pakistan, and Vietnam in which copyrights infringement occurred. Moreover, the agency's Special 301 Report on Intellectual Property Rights released in April 2018 placed China, India, and Indonesia on the priority watch list, and Pakistan, Thailand, Vietnam on the watch list. Such moves rendered Asian policymakers more anxious about the possibility of Washington's sanctions through tariffs or restrictions of Generalized System of Preferences (GSP) benefits (interview with a US thinktank, date). Furthermore, as the USTR launched the Section 301 investigations on China and followed suit by threating to slap tariffs on the latter's exports, regional stakeholders viewed that Super 301 mechanism could be used against them in the future. Additionally, even though the U.S. State Department senior official assured that America's Indo-Pacific Strategy is not aimed at containing China (Nelson 2017), Washington's recent harsh stances towards the latter tempted Asian policymakers to ponder that they might in the future be forced to choose between two great powers (Interview with a maritime security expert 2018).

4. Interactions between the U.S.' Indo-Pacific Strategy and the Regional States' Agendas regarding economic governance?

Interplay between America's and Indo-Pacific countries' agendas concerning regional economic building differed across issue areas. An obvious clash occurs between U.S.' and Asia's policies regarding ways to construct regional trade architectures. For the former, trade will be advanced via bilateral deals. According to Trump's remarks at the APEC's CEO Summit, Washington "will make bilateral trade agreements with any Indo-Pacific nation that wants to be our partner and that will abide by the principles of fair and reciprocal trade. What we will no longer do is enter into large agreements that tie our hands, surrender our sovereignty, and make meaningful enforcement practically impossible" (White house 2017). However, such insistence on bilateralism runs contrary to the Asian nations' approach regarding trade regionalism. These actors often favour multilateralism.

Why do the Indo-Pacific participants have an appetite for multilateral arrangement? It is mainly because the region is rife with many bilateral and mini-lateral trade contracts causing a "noodle bowl" problem. Illustratively, in 2013 Asia was muddled with 257 FTAs. Economies in the Asia-Pacific had 52 bilateral FTAs among themselves and signed on to additional 54 trade deals between themselves and extra-regional partners in 2015 (Wilson 2017). Such treaties resulted in a noodle bowl issue characterized by fragmented trade governance with multiple overlapping rules and regulations raising the cost of doing business. Regional players' desire to address this problem was a main impetus behind the negotiation of the Regional Comprehensive and Economic Partnership (RCEP) aimed at merging the existing ASEAN+1 FTAs into a single contract. If concluded, this mega-trade deal will cover 46% of the global population and 24% of the world's GDP (Jozuka 2017).

Indo-Pacific actors largely dissented Washington's bilateral approach. This partly accounted for why U.S. bilateralism has not got buy-ins from regional stakeholders. According to the Pew Research Center's Survey in June 2017, the majorities of the respondents in India, Indonesia, Japan, the Philippines, South Korea, and Vietnam opposed Trump's TPP withdrawal with the median of 66 percent. Asian diplomats also criticized that America lacks plans to foster a TPP-like overarching regional architecture covering not only multiple stakeholders but also multiple issues (Interview with Asian diplomats 2018). Some leaders were vocal about their disagreements towards America's approach. For example, Japanese Deputy Prime Minister Taro Aso declined the possibility of Tokyo entering into bilateral trade talks with Washington (Kihara 2018). For the other Indo-Pacific players which chose not to explicitly express their position, they nevertheless took wait-and-see stance. Having watched the NAFTA and KORUS renegotiations unfolded, these actors suspected that they will be arm-twisted to make concessions or accept contract terms overwhelmingly favouring the U.S. Therefore, they did not want to negotiate bilateral deals with America as doing so can put their countries at disadvantage (Interview with a former U.S. Congressional staff).

Against this backdrop, what will be likely future concerning regional trade architectures? This divergence of ideas and approaches between Washington and Indo-Pacific parties will persist. If cooperation is unattainable, the latter will continue to attempt to pursue regional economic institutional building because of a few reasons. First, Asia's middle class – defined as s comprising those households with per capita incomes between $10 and $100 per person per day in 2005 in terms of purchasing power parity (Kharas, 2010; Ernst & Young 2013) – is growing. According to Kharas (2017: 20)'s analysis, in 2022 Asians will emerge as the majority of individuals belonging to this income bracket. About 88 percent "of the next billion people in the middle class will be Asian." Such rise will heighten future regional demands and become catalyse for the Indo-Pacific participants to deepen their economic integration. The second factor is China. The Chinese leaders recently reaffirmed their commitment to transform the state into a consumption-driven and services-driven economy over the next ten years (Globe Newswire. 2018). Evidence is pointing out that regional economies are main beneficiaries to this phenomenon. The region has witnessed a surge of Chinese tourists in several Asian destinations. In the past ten years, the number of Chinese tourists in Southeast Asia quadrupled (Economist 2018). India witnessed a 15.6% increase in Chinese tourist arrivals from 2016 to 2017 (Singh 2018b). Beijing surpassed New Zealand as Australia's biggest tourism market (Karaian 2018). In short, China's economic transformation can generate greater demands for goods and services from other Asian economies in years to come.

Indo-Pacific governments' efforts to craft rules further deepening cross-border supply chains are reflected in the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP). This bloc is likely to expand because several economies such as South Korea, Taiwan, Indonesia and Thailand expressed their enthusiasm for joining (Japan Times 2018). Other attempts include the ongoing negotiation of Regional Comprehensive Economic Partnership (RCEP). Admittedly, the RCEP may yet be as ambitious as TPP (Wan 2018). Yet, this mega trade deal's quality can in the future be improved if the members agree to add "consulting mechanism" allowing RCEP to have a regulatory framework upgrade. In this way, the multilateral arrangement's long-term values can be created in a long run. Also, an involved negotiator pointed to the fact that RCEP negotiation is a daunting task due to divergent levels of economic development, absence of prior bilateral deals between certain players such as between China and India, India and New Zealand, and Japan and South Korea, and different preferences among the parties (Robeniol 2018). These challenges may result in bargaining stalemate. Even if the RCEP talk collapses, trade regionalism is not entirely doomed. Rather, regional economies are still left with their existing trade treaties namely ASEAN-China FTA (ACFTA), ASEAN-Japan Comprehensive Economic Partnership (AJCEP), ASEAN-Korea FTA (AKFTA), ASEAN-Australia-New Zealand FTA (AANZFTA), and ASEAN-India FTA (AIFTA). The terms of these treaties can in the future be improved to create better rules enhancing trade among the members.

Unlike trade, both Washington's and Indo-Pacific nations' agendas concerning regional investment governance do not directly contrast with one another. However, with little coordination between them, their approaches could ultimately worsen the "investment noodle bowl" issue. To delineate this point, U.S. and regional states usually make investment rules through bilateral international investment treaties (IIAs) and other contracts with investment provisions. America concluded 48 bilateral investment treaties (BITs), but there are only two BITs that the country concluded with Indo-Pacific actors - Bangladesh and Sri Lanka. The U.S. also concluded bilateral trade deals with an investment chapter with a few regional economies such as KORUS (with South Korea) and U.S.-Laos Trade Relations Agreement (with Laos) (State Department 2018; UNCTAD 2018). Likewise, the Indo-Pacific players' common approach to bolster cross-border financial flows likens Washington's, yet in a greater degree. Illustratively, they have concluded more than 1,000 BITs. Around one-thirds of the BITs in the world have at least one Asian member as a contracting party. Moreover, these IIAs entail a relationship between regional and extra-regional parties. The former tended to conclude IIAs with their capital-intensive, capital-exporting partners namely American and Western European economies (Chaisse and Hamanaka 2014).

A few exceptions to this trend deserve the mentioning. However, all of them face certain limitations, lessening their ability to boost investment among U.S. and Indo-Pacific economies. The first one is Comprehensive Investment Agreement (ACIA) signed by the ASEAN Economic Ministers in February 2009. ACIA) merged two existing arrangements the 1998 ASEAN Investment Area and the 1987 ASEAN Investment Guarantee Agreement to govern foreign direct investment (FDI) into Southeast Asia under the single contract. Nevertheless, this framework targets only ASEAN and foreign ASEAN-based investors and investment institutions, meaning that foreign investors and institutions which are not based in Southeast Asia cannot benefit from this scheme. Second, RCEP's investment chapter can help foster transnational investment among its 16 members. Nevertheless, these members constitute a subset of countries in the Indo-Pacific. Also, the deal is still under negotiation with a slim prospect of conclusion due to different levels of ambition and absence of clear leadership (Rosale 2018). Finally, TPP originally contains an investment chapter that could have augmented regional investment among the former and its Indo-Pacific partners such as Australia, Brunei, Japan, Malaysia, New Zealand, and Singapore. However, when Washington walked way in 2017, the pact resurrected as CPTPP but this survived version suspended particular investment provision, namely the Investor-State Dispute Settlement (ISDS) clause. In cases that host governments breach a contract, this ISDS mechanism permits private entities to sue the former and bypass domestic courts to take the disputed cases to international arbitration tribunals. Without this provision, international investors may not feel that their investment adequately protected. Consequently, they may refrain from moving their capital to the Indo-Pacific area. In sum, while Washington' and Indo-Pacific parties' approaches to investment rule-making do not run in an opposite direction, they tend to commit a "benign neglect" by paying little attention to the problem of IIA burgeoning. While some arrangements attempt to address the issue, they face their own challenges as mentioned above. As UNCTAD's World Investment Report (2011, xvii) precisely portrays, "[w]ith thousands of treaties, many on-going negotiations and multiple dispute-settlement mechanisms, today's IIA regime has come close to a point where it is too big and complex to handle for governments and investors alike."

Then, a central question becomes: "What would the future of regional investment governance architectures look like?" One potential scenario is a fragmented investment governance system fuelled by many IIAs and the persisting mutual ignorance by America and Indo-Pacific parties. These will grave implications on the future of investment and trade characterized by cross-border supply chains. IIA burgeoning begets a consistency problem because different treaties may possess divergent rules and regulations and legal interpretations which can in the end discourage investors to invest in multiple economies and undermine commerce among U.S. and regional economies. In other words, capital must first be allocated to establish and operate production facilities in several locations around the world in order to run transnational value chains. Hence, if these financial movements are hindered or disrupted by the noodle bowl issue, trade between America and its Indo-Pacific partner will be suppressed.

As far as connectivity/infrastructure governance is concerned, the interplay between U.S. and Indo-Pacific nations' agendas resembled the ones in the investment area. The region's infrastructure governance can be characterized by an alphabetical soup of various connectivity schemes. Rules have been shaped by different donors, financiers, and frameworks with little coordination among them, making infrastructure investment more competitive than cooperation (Interview with Chair of CSIS' Southeast Asia Program Advisory Board 2018). This leads to a governance problem. To delineate this point, conflicts may arise when the involved players attempt to link different connectivity projects (e.g. roads, railways) supported by dissimilar governance programmes. Such circumstance brings up a pressing issue: "Which rules or standards (e.g. rail gauge width) are to be adopted?" Although evidence indicated cooperation among different institutions, such as co-financing effort by Asian Infrastructure Investment Bank (AIIB) and ADB in projects in Bangladesh, Pakistan, Georgia, and India (Reuters 2018b), it is uncertain whether they will collaborate in the future. Different institutions usually have divergent visions, priorities, and practices concerning lending conditions, procurement procedures, and labour and environmental standards. Such dissimilarities can instigate conflicts in their subsequent interactions. Also, less is known about how other entities would undertake cooperation. According to one public authority, while some regional players set up a discussion platform to boost coordination among themselves, no financial resources are allocated to practically coin concrete programmes to materialize such collaboration (Interview with a State Department official 2018(b)).

Beside uncoordinated physical infrastructure ("hardware") development, the region is tainted with an institutional connectivity problem. In fact, the development of "software" – rules and regulations facilitating the flows of goods and services – often lags behind "hardware" in several areas. It is mainly due to the fact that little effort has been garnered by different actors to collectively make rules enhancing the facilitation of international logistics. This hence begets non-synchronized regulatory frameworks hindering transnational goods and services transport. One study tracking the progress of Great Mekong Subregion (GMS) – a sub-regional cooperative programme among China's Yunnan province, Cambodia, Laos, Myanmar, Thailand, and Vietnams – revealed that while physical routes were completed, regulatory and administrative support was inadequate. They eventually became barriers to goods and services transit. Illustratively, half of the time used to ship goods from Danang city of Vietnam to Tak province of Thailand was spent at customs and border crossings at these states' facilities. "From a cost perspective, 42.6 per cent of the door-to-door transport costs are collected at customs and border crossings. The amount is almost equivalent to the cost of physical transportation" (Banomyong 2010, p.36). In addition, institutional logistics linkages between East and Southeast Asia were absent. Take Myanmar which is usually regarded as one of land bridges between these two zones. According to a joint study by ADB and Asian Development Bank Institute (ADBI), there exist no transit agreements between Myanmar and Thailand and between Myanmar and India (ADBI 2015). Therefore, the future of regional connectivity governance architectures will likely be a fragmented one. Different infrastructure providers and financial institutions have done little to coordinate effort among themselves. Non-alignment of rules and regulations can further complicate the governance by hindering transnational movements of goods and services.

5. Policy Recommendations

Differences in Washington's and Indo-Pacific nations' approaches to the development of regional economic governance architectures notwithstanding, it is misguided to anticipate that economic regionalism will close off the U.S. Such circumstance is highly unlikely as regional economic architectures namely ASEAN and APEC have been built upon the principle of "Open Regionalism" (Bergsten 1997). Open Regionalism is an outward-looking and liberal modality to regional economic integration in a sense that it embraces external parties in order to expand the networks of collaboration (Ravenhill 2000; Soligen 2008). For instance, the ASEAN Economic Community (AEC) Blueprint 2025 posits that ASEAN shall

> [d]evelop a more strategic and coherent approach towards external economic relations with a view to adopting a common position in regional and global economic fora . . . continue to review and improve ASEAN FTAs and CEPs to ensure that they remain modern, comprehensive, of high-quality and more responsive to the needs of businesses operating the production networks in ASEAN. . . [and] . . . enhance economic partnerships with non-FTA Dialogue Partners by upgrading and strengthening trade and investment work programmes/plans (ASEAN Secretariat 2015, 36)

Likewise, Open Regionalism is in APEC's spirit as seen in its official documents. For example, the 2001 APEC Leaders' Declaration refers to the bloc's unique modality which is "based on the fundamental principles of voluntarism, consensus-building, combination of individual and collective actions, flexibility, comprehensiveness and open regionalism, which has inspired and underpinned our successes" (APEC 2001). Thus, the door is still open for the U.S. and Indo-Pacific players to together foster and amplify economic cooperation. The followings are steps that these policymakers can take to help them jointly advance regional economic governance architectures.

5.1. Immediately Pursue Collaboration in the Areas of Investment and Infrastructure/Connectivity

Given a clash in approaches concerning how to advance trade regionalism between Washington and Indo-Pacific participants, resources should first be invested in the deepening of international collaboration in the realms of investment and infrastructure/connectivity.

5.2. Advance Investment Cooperation via Capacity Training Programmes and Investment Treaty Consolidation

U.S. has great expertise in developing governance architecture of investment promotion, property registration, and contract enforcement. This has largely contributed to American transparent and sophisticated financial system and the worldwide recognition of the dollar as an international currency. Many economies resort to the greenback to settle transactions among themselves. Some countries even underwent complete or partial dollarization by adopting the dollar for their domestic use. In contrast, many regional players fare less than America in terms of technical knowledge. Consequently, some have struggled to make good investment rules, and this partially accounts for their less developed financial systems. Hence, with its greater expertise, the U.S. can take a lead in sharing its knowledge, experiences, and good practices in a form of capacity training programmes. Doing so will enrich Indo-Pacific stakeholders’ rule-making skills, enabling them not only to improve their own domestic financial systems but also advance regional mechanisms to better facilitate investment between American and regional economies. It is because this knowledge can be used or applied by regional stakeholders to enhance their regional frameworks. For example, ASEAN, China, Japan and South Korea launched the Asian Bond Markets Initiative (ABMI) in 2003 under the ASEAN+3 financial cooperation process. ABMI is aimed at developing local-currency-denominated bond markets in order to better utilize regional savings and raise investment in Asia. However, the scheme’s progress has been modest recently, partly due to the members’ less expertise and experiences in developing bond markets. Although, ABMI is limited to ASEAN+3 members, this model of regional capital market building can in the future be replicated in other parts of the Indo-Pacific if the other actors have the know-hows. To sum up, Washington can leverage on its financial adeptness to help provide capacity training for Indo-Pacific policymakers so that the latter can better investment rules and regulations at the national and regional levels, which in turn will increase investment among their and U.S. economies.

In cases that the U.S. and regional participants want to make new investment treaties, joint effort should be made on how to help address the fragmented investment governance system. There exists several ways to alleviate the IIA proliferation problem. For instance, the 2017 UNCTAD’s World Investment Report outlines several solutions, such as treaty termination and suspension, in order to consolidate or manage different international investment agreements (UNCTAD 2017). Treaty termination can be done in different ways such as aborting pre-existing deals in order to render investment relationships be governed by a single contract. The Article 21.7 of Central America-Mexico FTA abolished Mexico-Nicaragua FTA is one exemplar. Alternatively, the involved participants can suspend certain investment arrangements while the other ones are still in force. The deactivation of the Switzerland–South Korea BIT (1971) when the Switzerland-Liechtenstein-Iceland-South Korea investment treaty (2005) took effect is a case in point. In occasions that these options are not feasible, Washington and Indo-Pacific parties should work toward rule harmonization or the inter-operationality of different investment regulations. Doing so can also help facilitate the movements of funds across borders.

5.3. Enhance Infrastructure/Connectivity Collaboration via BUILD Act, Joint Ventures, Public-Private Partnership, and Capacity Training

The U.S. should immediately pass the BUILD Act as it will enhance the country’s ability to more effectively roll out infrastructure instruments, hence elevating its roles as a key player in the Indo-Pacific connectivity development. In September 2017, the Millennium Challenge Corporation (MCC) – an American public entity with a primary purpose of poverty reduction in developing nations – concluded an agreement with Nepal to give a $500 million grant to latter to bolster its electricity and transport networks (The Himalayan Times 2018). Nepal is the first South Asian partner to sign such deal with the U.S. This kind of arrangement can also be strike between America and other parties to boost connectivity especially those in South Asia which infrastructure tend to lag behind the other zones in the Indo-Pacific.

Beside traditional connectivity construction, Washington and like-minded countries should jointly contribute to e-infrastructure building due to rising regional demands. According to the World Bank, the Internet penetration rate in 2016 in South Asia, and East Asia and Pacific was about 26% and 46%, respectively (World Bank 2016). Although ASEAN has the Initiative for ASEAN Integration (IAI) purposed to close development gaps among the ASEAN parties, this scheme is limited to assist only Cambodia, Laos, Myanmar and Vietnam

(CLMV). As a result, the sockets in non-CLMV countries in need of e-connectivity cannot utilize IAI to fill in their digital infrastructure gaps. Observers usually that the U.S. private sector's presence in the Indo-Pacific has diminished by citing that the construction giant Bechtel ceased to operate in Asia about a decade ago. Contrary to such criticism, America has been a key player in digital infrastructure construction. Its private conglomerates are at the forefront in this field. As Shambaugh (2018, 113) demonstrated, companies such as Amazon, Apple, eBay, Google, Oracle, Twitter, and Uber have actively supplied digital services and information technologies to their Indo-Pacific clients. Therefore, the U.S. and other regional governments can better engage these private entities by identifying bankable projects, facilitating joint ventures between American and other states' firms, and seize opportunities to conduct public-private partnership.

In addition to physical infrastructure building, American authorities and other entities can deliver capacity training to Indo-Pacific policymakers, enabling them to develop "soft infrastructure" namely rules and regulations facilitating transnational logistics. For instance, ADBI regularly trains Asian officials on how to develop economic corridors (ADBI 2018). Also, the United States Agency for International Development (USAID) has played a significant role in training Southeast Asian authorities, which ultimately led to a successful launch of ASEAN Single Window (ASW) in 2005. ASW is aimed at linking and national windows of all ten ASEAN members to allow electronic data submission for cargo clearance, reducing the cost of doing business across these economies. Such training programmes should be conducted with other Indo-Pacific participants to enable them to set up single windows in their respective sub-regions. Moreover, the capacity-building schemes should aim at tackling the fragmented connectivity governance marked by an alphabetical soup of various frameworks. This can be done by organizing workshops on how to harmonize rules or boost the inter-operationality of different rules and regulations.

5.4. Push Forward Trade Cooperation via Formal and Informal Dialogues, and Incorporation of Track 2 into Policymaking Process

Because Washington insisted on fostering "free, fair, and reciprocal" trade and "fair" is largely defined by a trade balance term, there exists little room for Asian participants namely those running trade surplus with America to negotiate trade deals satisfying all involved. As mentioned above, the U.S.' and Indo-Pacific actors' approaches to trade regionalism are likely to continue to diverge. The former opts for bilateralism while the latter prefer multilateralism. Moreover, the prospect of the U.S. joining CPTPP is slim. According to one American government official, the tide is turning against this deal. The U.S. Congress censured several aspects of TPP/CPTPP namely labour standards and safeguards and environmental protection, arguing that these elements could place American businesses at disadvantage. Capitol Hill also demanded these components be adequately resolved before the U.S. rejoins the pact (Interview with a U.S. Congressional staff 2018).

Against this backdrop, a pressing question is: "How can America and regional states together foster regional trade governance architectures?" Although these stakeholders may not be able to negotiate and conclude trade deals in a short term, they should maintain regular formal and informal dialogues on bilateral and multilateral basis. Such communication is necessary because it not only helps the participants identify ways to advance trade collaboration but also lessens a chance of misperceiving or misinterpreting one another's policies. With misperceptions and misinterpretations, economic tensions can be escalated into a full-blown war, deteriorating U.S.-Asia commerce.

Multilateral discussions can be held at regional platforms, especially ASEAN and APEC, for the following reasons. First, these schemes aim at facilitating economic growth, trade and investment cooperation in the region. ASEAN members are deepening regional economic integration by implementing the policy measures outlined in the AEC Blueprint 2025. The Blueprint envisages Southeast Asia to have five characteristics: "(i) A Highly Integrated and Cohesive Economy; (ii) A Competitive, Innovative, and Dynamic ASEAN; (iii) Enhanced Connectivity and Sectoral Cooperation; (iv) A Resilient, Inclusive, People-Oriented, and People-Centred ASEAN; and (v) A Global ASEAN." (ASEAN Secretariat 2015: 1). Likewise, APEC is purposed "to create greater prosperity for the people of the region by promoting balanced, inclusive, sustainable, innovative and secure growth and by accelerating regional economic integration" (APEC Secretariat 2017). Also, these fora embrace informal talks as part of their decision-making. Illustratively, the "ASEAN Way" – a set of principles upheld by ASEAN members such as informal consultation and peer pressure – has been used to lessen international conflicts or collective devise feasible solutions to address regional problems. APEC's discussions are often carried out in an open, non-binding format which requires no treaty obligations. Such informality creates an atmosphere allowing the involved players to have open and frank , exchanging concerns, and test particular policy ideas before taking formal steps such as treaty formation. Contrary to the criticism that these groupings are merely "talk shops", ASEAN and APEC act as the incubators of ideas which are later materialized as practical policies to advance economic architectures. The Agreement on Trade Facilitation (often dubbed as the "Bali Package") endorsed by at the 9th World Trade Organization (WTO) Ministerial Conference in Bali, Indonesia in 2013 is a case in point. The arrangement, which took effect on 22 February 2017, is aimed at "expediting the movement, release and clearance of goods, including goods in transit" (WTO 2018). Its origin can be traced back to APEC. The bloc's parties championed the idea of a trade facilitation pact and played a significant role in making it adopt at the WTO level. In short, Washington and Indo-Pacific stakeholders can leverage of the informality of these venues to foster open discussions and explore new or innovative means to push forward trade regionalism.

Beside inter-governmental organizations, Washington and regional states can leverage on the expertise of thinktanks and incorporate inputs from these Track 2 mechanisms into their policymaking process. American and Indo-Pacific officials should encourage an expansion of existing thinktank networks such as the Network of East Asian Think-Tanks (NEAT) under the ASEAN+3 structure, and Asian Think Tanks Network (ATTN) supported by ADB. NEAT was established in 2003 as a Track 2 unit feeding policy inputs to the ASEAN+3 cooperation process. Set up in 2013, ATTN has the main objectives of boosting "systematic knowledge sharing among member think tanks, specifically on development experiences and policy lessons. . . . [and augmenting] the think tank's capacity to generate knowledge or provide policy advice on its domain" (ATTN Secretariat 2018). Both groupings' membership can be enlarged to include thinktanks from America and other countries. Utilizing Track 2 instrument is crucial as it helps explore certain issues too sensitive to be discussed at the inter-government or Track 1 platforms. Therefore, discourse among thinktanks can enable countries to jointly examine economic issues and craft innovative solutions to the problems. Their recommendations can be forwarded to the public officers to assist the latter's policy formulation.

5.5. Foster Inter-Institutional Cooperation: Inter-Bloc Dialogue Encouragement

One effective way to advance Indo-Pacific economic cooperation is creating an overarching governance architecture which not only encompasses all Indo-Pacific stakeholders but also covers collaboration in several economic aspects. This framework can act as a venue for the involved economies to discuss economic matters and challenges, and collectively devise policy actions to tackle such issues. However, founding such comprehensive umbrella may not be feasible at this moment as doing so will requires a substantive amount of resource allocation. Yet, U.S. and regional governments should consider strengthening inter-institutional ties by initiating dialogues among different cooperative blocs. For example, conversations should be promoted among the Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation (BIMSTEC), Indian Ocean Rim Organization (IORA) and APEC. It is because these entities have several Indo-Pacific nations as members and focus on bolstering international economic collaboration. Formed in June 1997, BIMSTEC's main goal is "to harness shared and accelerated growth through mutual cooperation" via sector-driven collaboration such as trade and investment, transport and communication, energy, and tourism (BIMSTEC 2018). Its current members are Bangladesh Bhutan, India, Myanmar, Nepal, Sri Lanka, and Thailand. IORA was created in March 1997 as an inter-governmental organization with a focus on strengthening "economic dialogue and regional cooperation to promote sustainable growth and balanced development for a prosperous Indian Ocean Rim." The entity houses 21 members such as Australia, Bangladesh, India, Indonesia, Malaysia, Singapore, Sri Lanka, and Thailand. America is also among IORA's dialogue partners (IORA 2018). Such inter-institutional communications are crucial because they increase a probability that these parties identify specific areas for cooperation. Doing so can also constitute the first step paving a way for the future creation of a Indo-Pacific-wide economic grouping,

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