

US Pivot (or Rebalancing) Towards Asia

When President Barack Obama took office nearly seven years ago, he articulated his vision for America by introducing a number of agendas. Most notable among them was the Affordable Health Care Act, also known as 'ObamaCare', that requires most people to have health insurance as of 1 January 2014. In the international arena, it was the pivot or rebalancing towards Asia.

Under Obama's 'Pivot to Asia' agenda, there is a visible shift towards Asia. At the heart of the pivot is the belief that America's economic and security future is tied to Asia. Since Asia is the world's largest consumer market and engine for global economic growth, there is a desire to forge closer links with the region to tap the opportunities available for commercial success, which in turn would translate into job creation in the United States.

The pivot

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The pivot towards Asia called for a comprehensive approach from multiple angles — economic, security, diplomatic, people to people and military. For instance, the Young Southeast Asian Leaders Initiative (YSEALI) — an Obama-initiated programme — was launched in 2013 with the aim of bolstering leadership development and, more importantly, establishing networking among American and Southeast Asian youth.

Another notable aspect of America's pivot is its focus towards Southeast Asia. The United States is keen to support Southeast Asia as a whole through ASEAN and build ties with individual states such as Indonesia, Malaysia and Vietnam. Indeed much effort has gone into strengthening bilateral relations between the United States and Malaysia.

The United States is looking to draw lessons from Malaysia's development strategies in creating a conducive ecosystem — institutions, policies and regulations — and together help transplant these processes to less developed ASEAN members. Utilising resources from government and private sectors, infrastructure development is another area of cooperation for the betterment of ASEAN infrastructure as a whole.

The pivot towards Asia 'coincides' with the rise of China not just as an economic power but as an increasingly assertive military power. While the pivot agenda is often interpreted as America's effort to contain China, Washington has reiterated its desire to engage and cooperate with Beijing to ensure continued peace and prosperity in the region. A strong ASEAN is one way to balance the power in the region, hence the constant emphasis on strengthening ASEAN and its processes. The United States, on its part, has been very open to assist in areas such as human capital development and closing the development gaps among ASEAN countries.

At the heart of Obama's pivot to Asia is the Trans Pacific Partnership (TPP) Agreement. The TPP originated from an initiative nearly a decade ago by four members of the Asia Pacific Economic Cooperation (APEC) forum — New Zealand, Singapore, Brunei and Chile. The TPP momentum gained strength once Obama adopted it and made it one of the key features of his Asian agenda. As of 2014, eight Asia Pacific countries have joined the original four to participate in the TPP negotiations, namely Australia, Canada, Japan, Malaysia, Mexico, Peru, the United States, and Vietnam.

The most significant feature of the TPP, which sets it apart from other regional agreements, is its ambitious 'high quality' inclusive agreement. Provisions of the TPP



From left: Marc Mealy and Steven Wong

agreement will be binding rather than voluntary as in the case of other regional trade agreements. The goal of the TPP is 'to create a platform for economic integration across the Asia Pacific region' and eventually pave the way for the future Free Trade Area of the Asia-Pacific (FTAAP).

The Obama administration believes that the TPP provides a 'new and meaningful market access for American goods and services exports'. The TPP would also, according to the Obama administration, 'set high-standard rules for trade, and address vital 21st century issues within the global economy'.

While businesses in the United States are generally 'Pro-TPP', many Americans are sceptical of its claimed benefits. Previous experience in Free Trade Agreements (FTAs), the North American Free Trade Agreement (NAFTA) for example, has not only failed at job creation but was partly blamed for the loss of American jobs to offshoring. Others are critical of the lack of transparency in the ongoing negotiations. The apprehension is not limited to the United States alone; citizens of the other 11 nations have also voiced opposition in some form or other. The ambitious agreement which covers goods and services, even with exclusions, will lock these sectors in a binding agreement. Some of the discussions include opening access to sensitive areas, which could include government procurement processes, agriculture, labour rules and regulation, and the health industry. There are also questions concerning the effectiveness of the TPP without the involvement of the world's second largest economy, China.

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Nonetheless, there are benefits to the TPP and FTA in general. By lowering tariff and other barriers, the cost of goods and services would become lower, allowing consumers to enjoy them at cheaper prices. In addition, there will be increased protection for producers and the work force. There is then potential to establish and strengthen basic labour laws and intellectual property rights, particularly in countries where such protection is lacking. The increase in competition will hopefully push governments to be more competitive; to allocate their resources more efficiently. Due to the unimpeded market access, the TPP also presents commercial opportunities and growth. In the short run, the TPP is not likely to present a win-win scenario. The strategy, however, is to ensure that one's 'win' column will be bigger than that of the 'loss'.

Yes we can?

The success of Obama's agenda hinges on several factors. On the domestic front, the prevailing economic situation in the United States affects public sentiment. Undeniably, an improving economy with an optimistic populace will likely be more receptive towards the idea of an FTA. On the other hand, worsening racial ties, if not managed properly, could divert the government's attention and energy away from aggressively pursuing its international agenda.

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Additionally, the Middle East could potentially occupy Obama's administration at the expense of the TPP. The rise of the Islamic State (IS) and its potential security threat on American soil would naturally take precedence over any FTAs. Other global hot spots that could potentially occupy Washington's attention include the Russia-Ukraine conflict, Iran and the North Korean nuclear threat.

At the last US midterm election — held on 4 November 2014 — the Republican Party made sweeping gains in the Senate and House of Representatives. How will the Republican-controlled Congress exercise its power? Will it oppose Obama in order to strengthen its position for the 2016 election or choose to demonstrate its ability to govern via cooperating with the president? The Republicans are traditionally pro-business and are more open towards the free trade agenda; hence Obama may have a better chance of passing the TPP bill with the Republicans in control of the Congress.

Time is of the essence where the TPP negotiations are concerned. 2015 is seen as the best year for the negotiations to be concluded as the United States will be preoccupied with the presidential election in 2016. Currently, there are concerns about delays in obtaining congressional approval for bills pertaining to the TPP. Renewal of the Trade Promotion Authority (TPA) — which grants the president authority to enter into trade agreements — and the Congress' desire for more control over trade negotiations, have become points of contention, largely in Obama's own party. Intensity must increase in negotiation efforts for the TPP to meet its deadline.

Every president aims to leave with a positive and lasting legacy that would define his time in office. More often than not, a one word moniker sets one's impression of the presidential administration — 'Camelot' for the golden era of President Kennedy, 'Reaganomics' for the US economic revival under President Reagan, 'Watergate' for the scandal that tainted President Nixon despite his many successes, and 'Bush-wacked' for President George W Bush. For Obama to leave office with his agenda in place, be it via ObamaCare or the successful conclusion of the TPP Agreement, gives real meaning to his famous rallying cry of 'Yes we can!'

*On 5 December 2014, we were privileged to host **Mr Marc Mealy** at our ISIS International Affairs Forum. He is currently the Vice President-Policy at the US-ASEAN Business Council. The points highlighted in this article were taken from Mealy's talk on 'US Mid-Term Election and Implications for the Asia-Pacific and Malaysia'. ISIS Malaysia Analyst **Zarina Zainuddin** reported.*