



PRESIDENT OBAMA'S VISIT TO LAOS

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SUMMARY

- President Obama will attend the U.S.-ASEAN Summit and East Asia Summit (EAS) in Vientiane, Laos on September 6-8, making him the first U.S. president to visit the country. This will follow a trip to Hangzhou, China for the G20 Summit, which will include a meeting with Chinese President Xi Jinping.
- Obama will seek to cement his legacy of strengthening security and economic cooperation with members of the Association of Southeast Asian Nations (ASEAN) and the broader region. In particular, he will highlight the strategic and economic importance of the Trans-Pacific Partnership (TPP) and push for congressional ratification of the agreement in the United States.
- Peaceful resolution of territorial disputes in the South China Sea will top the list of regional security issues to be discussed.

ABOUT ASG

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WHO WILL ATTEND?

The 11th EAS will be held on September 6-8 in Vientiane, Laos. The members of the ASEAN-chaired EAS include the heads of state of the ten ASEAN members (Brunei, Cambodia, Indonesia, Laos, Malaysia, Myanmar, the Philippines, Singapore, Thailand, and Vietnam) and eight other Asia-Pacific countries (Australia, China, India, Japan, New Zealand, Russia, South Korea, and the United States). President Obama and the ASEAN heads of state will hold the 4th U.S.-ASEAN Summit on the margins of the EAS. This will be the first EAS for the new leaders of Myanmar, the Philippines, and Vietnam.

WHY DO ASEAN & THE EAS MATTER?

Southeast Asia is of growing geopolitical importance due to its strategic location between China and India, at the crossroads of one of the world's most important trade routes. As a result, larger regional powers are increasingly vying for influence in the region.

Collectively, ASEAN is the third largest population and seventh largest economy in the world. ASEAN is the United States' fourth largest trading partner, and the bloc is an increasingly attractive labor and consumer market for global companies due to its steady economic growth, demographic dividend, and burgeoning middle class. ASEAN recently launched the ASEAN Economic Community (AEC) to enhance the region's

competitiveness as a trade and investment destination by creating a single regional market and production base, although much remains to be done to fulfil this vision.

Founded in 1967 to deepen regional cooperation, ASEAN provides Southeast Asian countries with greater recognition and influence in the region and globally than they could aspire to individually. Through its leadership of the EAS, ASEAN plays an important role in driving broader Asia-Pacific economic integration and addressing issues of regional and global concern, such as maritime security in the South China Sea, climate change, and terrorism. The Obama administration recognized the power of ASEAN to shape such issues, and joined the Treaty of Amity and Cooperation in 2009, appointed a resident ASEAN ambassador in 2010, joined the EAS in 2011, and established annual U.S.-ASEAN Summits in 2012. ASEAN countries broadly welcomed increased engagement with the United States as a way to maximize their own diplomatic, commercial, and strategic leverage, particularly in light of China's growing economic and strategic influence.

KEY TOPICS OF DISCUSSION

President Obama is expected to focus on promoting economic cooperation and the peaceful resolution of the territorial disputes in the South China Sea. He will also highlight the myriad of economic and strategic commitments made during his administration, including "[U.S.-ASEAN Connect](#)", an effort to deepen economic relations, and the [Southeast Asian Maritime Security Initiative](#), an initiative to build maritime capacity in Indonesia, Malaysia, the Philippines, and Vietnam. Obama will hold a bilateral meeting with Lao President Bounnhang Vorachith and Prime Minister Thongloun Sisoulith to discuss ways to strengthen bilateral economic and people-to-people ties. He is expected to announce an aid package to help disarm unexploded bombs in Laos from the Vietnam War. Obama will also meet with Philippine President Rodrigo Duterte, a U.S. treaty ally, and will raise human rights concerns over Duterte's [anti-drug campaign](#), as well as the new administration's approach to resolving its territorial dispute with China. Lastly, President Obama will hold a town hall with youth from the Young Southeast Asian Leadership (YSEALI) Initiative, a program he launched in 2013 for ASEAN youth, which represent 65 percent of the population, to build leadership capabilities and foster collaboration in resolving regional issues.

Economic Cooperation & the Trans-Pacific Partnership

The Obama administration views deepening economic ties with ASEAN as an important component of its rebalance to Asia, and will seek to further enhance cooperation during the U.S.-ASEAN Summit. During the last summit, in February, the administration announced U.S.-ASEAN Connect, an effort to coordinate U.S. government resources and economic activities in the region from centers in Jakarta, Singapore, and Bangkok, to improve policy, energy, innovation, and trade cooperation with ASEAN.

During his visit, Obama will likely highlight the importance of TPP for deepening regional economic integration and spurring economic growth. In addition, he will underscore the strategic importance of TPP for the United States and urge for swift ratification of the agreement both at home and abroad. The Obama administration hopes to win congressional approval of TPP during the lame-duck session given the positions both U.S. presidential candidates have taken against the agreement, and some TPP countries are waiting to see the outcome of the U.S. presidential election before undergoing their own ratification processes. In order for TPP to enter into effect, at least six countries representing at least 85 percent of



the 12 signatories' total GDP must ratify the agreement. This is impossible without the United States (which represents 62 percent of total TPP GDP) or Japan (which represents 17 percent of total TPP GDP).

The Obama administration argues that without TPP the United States will cede leadership of regional economic integration to China, whose vision is more statist and protectionist, and requires lower labor and environmental standards. Asia has another mega-regional trade agreement in the works, the Regional Comprehensive Economic Partnership, which includes the ten members of ASEAN and ASEAN's six free trade agreement partners (Australia, China, India, Japan, Republic of Korea, and New Zealand). The parties are targeting the end of 2016 to complete negotiations, though this is unlikely due to significant remaining differences. Failure to ratify TPP would also harm U.S. credibility abroad and could undermine or slow progress on reforms for key U.S. trading partners such as Japan, whose leaders overcame significant political opposition to complete negotiations and are looking to TPP as a catalyst for badly needed structural changes.

South China Sea

On July 12, the Permanent Court of Arbitration (PCA) in The Hague ruled overwhelmingly in favor of the Philippines in its case against China's claim of historic rights to resources within the "nine-dash line", which covers as much as 90 percent of the South China Sea. Beijing vehemently rejected the PCA ruling. In a relatively reserved response, Manila "welcomed" the decision, yet said it would not "flaunt" the ruling and would pursue bilateral talks with China. Many international stakeholders, particularly other ASEAN members with overlapping territorial claims with China and larger regional powers such as the United States, Japan, and Australia, hope Manila will continue its calls for China to respect international law and uphold the ruling. The [July 24th ASEAN foreign ministers' joint communique](#) strongly affirmed ASEAN's commitment to the rule of law and the rights of freedom of navigation and overflight, as well as opposition to further militarization of the disputes, but made no reference to the PCA decision. This was purportedly due to Chinese pressure on Cambodia to block any mention of the ruling. On the sidelines of the ASEAN Foreign Ministers' Meeting, U.S. Secretary of State John Kerry encouraged bilateral negotiations between Beijing and Manila, as well as stressed the importance of the PCA decision as a diplomatic means to resolve the disputes. President Obama is expected to strongly emphasize this message.

ASG's Southeast Asia Practice has extensive experience helping clients navigate markets across Southeast Asia and Oceania. For questions or to arrange a follow-up conversation, please contact SoutheastAsia@albrightstonebridge.com.

