

The authors' views are their own and do not represent the official position of the Institute of Defence and Strategic Studies of the S. Rajaratnam School of International Studies, NTU. These commentaries may be reproduced with prior permission from RSIS and due recognition to the authors and RSIS. Please email to Editor IDSS Paper at RSISPublications@ntu.edu.sg.

No. 035/2024 dated 25 March 2024

Exploring Waning US Economic Influence in ASEAN Despite High Levels of FDI

Kevin Chen Xian An

SYNOPSIS

The recent announcement that US companies are investing over US\$1 billion in the Philippines underscores the high volume of US investments in ASEAN. However, US economic influence in the region is waning – and will continue to wane unless Washington addresses the more fundamental issue of its reliability as an economic partner.

COMMENTARY

When US commerce secretary Gina Raimondo visited the Philippines from 11 to 12 March, she had a simple, but welcome message to deliver: US companies are here to invest.

Bringing along 22 US companies such as Microsoft and Alphabet's Google on the first-ever Presidential Trade and Investment Mission to the Philippines, Secretary Raimondo announced plans for investing over US\$1 billion in the Philippines' digital and energy sectors. Specifically, she expressed hopes that the investments would help to grow the Philippines' semiconductor industry, a notion that was [welcomed](#) by local analysts.



US Secretary of Commerce Gina Raimondo visited Philippine President Ferdinand Marcos Jr. from 11 to 12 March 2024 for the first Presidential Trade and Investment Mission to the Philippines. Despite significant American investments in ASEAN countries, the US appears to be a less influential economic partner for ASEAN as compared to China. *Image from Wikimedia Commons.*

The story of this inaugural mission is consonant with a larger fact that American diplomats often brandish like a talisman: that the United States is the biggest investor in ASEAN. Data from the *Financial Times* showed that the United States invested [US\\$74.3 billion](#) on plant construction and other projects in the region from 2018 to 2022.

Yet, as US diplomats often lament, US economic influence does not seem to reflect the volume of its investments. China, which, in contrast, invested US\$68.5 billion over the same period, is invariably seen as a more influential economic partner for ASEAN. Disparities in trade volumes and the relative invisibility of US investments in ASEAN do not entirely explain this discrepancy. Instead, a deeper explanation is that the United States appears increasingly unreliable as a trade and economic partner. Unless this perception is addressed, US economic influence in the region will continue to wane.

The Limits of Investment Volume

The United States has a long history as a significant investor in ASEAN. Between 2000 and 2013, it was typically the region's [third biggest investor](#) in terms of foreign direct investment (FDI) inflows, behind Japan and the European Union. Even after the launch of China's Belt and Road Initiative (BRI) in 2013, US FDI continued to grow in scale, eventually [dethroning](#) Japan and the European Union as the region's largest investor around 2017.

This surge was in large part fuelled by the wave of manufacturing relocation to the region during the US-China trade war as companies sought alternative manufacturing bases owing to rising geopolitical risks. A similar phenomenon is occurring now, with Southeast Asia attracting a [record US\\$222.5 billion](#) in FDI in 2022 as companies seek to diversify and "friendshore" their supply chains.

On paper, these high levels of investment should boost Washington's access and influence within Southeast Asian economies. Yet surveys such as the [State of Southeast Asia](#) by the ISEAS–Yusof Ishak Institute and the Lowy Institute's [Asia Power Index](#) consistently rank China as the region's most influential economic partner by a wide margin.

A Question of Reliability

Trade volumes and the visibility of investments do not provide satisfactory explanations for this discrepancy. While China became ASEAN's biggest trade partner around 2009, the United States remains a key export destination for ASEAN products such as machinery and textiles. Likewise, while eye-catching mega projects such as the Jakarta-Bandung High Speed Railway are prominent reminders of China's economic presence, American behemoths such as Microsoft and IBM symbolise America's economic might through their presence.

Instead, the key issue hindering US economic influence in the region is that America appears unreliable as an economic partner. ASEAN is not a region that is picky with its economic partners, constantly seeking new partnerships to unlock more trade and investment while shying away from exclusive relationships. While US officials recognise these needs, their statements, however, often seem out of sync with the broader strokes of US policy.

For example, a common refrain by US officials is that “we value this relationship and we're here to stay” – yet the United States has refused to join regional trade agreements, from the Regional Comprehensive Economic Partnership (RCEP) to the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP), owing to domestic anti-trade sentiments. Even the Indo-Pacific Economic Framework (IPEF), despite having the full support of the Biden administration, had the conclusion of its trade pillar delayed amid domestic pushback. It is difficult to consider Washington a significant player in regional economics if it remains estranged from important trade agreements, especially when Beijing is eager to join as many of these agreements as possible.

ASEAN countries also remain unconvinced about US claims that they seek to de-risk, not decouple, from China. Regional governments have repeatedly stressed that they [do not wish to take sides](#) and worry that their economic development would suffer in the event of a US-China decoupling. While Washington has tried to reassure them, the fine line between decoupling and de-risking is often so vague as to be non-existent.

From Washington's refusal to comply with a World Trade Organisation (WTO) ruling that criticised the Trump administration's 2018 steel and aluminium tariffs to the recent congressional bill that may [ban TikTok in the United States](#), there are fears that US-China tensions may spiral out of control even as Washington contends that there are legitimate security concerns. These worries paint the United States as more of a challenge to be managed than a partner to be engaged.

ASEAN countries will continue to happily accept investments from any external party, be it the United States or China. However, the United States cannot maintain its economic influence in the region just by opening its wallet, especially if it remains

estranged from trade agreements and fixated on measures to undercut China. Washington must articulate a believable approach to ASEAN that explains how it intends to address domestic headwinds against trade agreements while engaging the region. Simultaneously, it should seek more frequent dialogues with Beijing and publicise efforts to manage their mutual tensions.

Overall, the United States must show that it can meet regional expectations for economic engagement while adhering to its own domestic and strategic needs. High investment volumes can help to boost its influence, but only if they are clearly shown to be part of a broader, cohesive strategy.

Kevin CHEN Xian An is an Associate Research Fellow in the US Programme at the Institute of Defence and Strategic Studies, S. Rajaratnam School of International Studies (RSIS), Nanyang Technological University (NTU), Singapore.

S. Rajaratnam School of International Studies, NTU Singapore
Block S4, Level B3, 50 Nanyang Avenue, Singapore 639798
T: +65 6790 6982 | E: rsispublications@ntu.edu.sg | W: www.rsis.edu.sg