

Economic Cooperation Policy Memo



SUBJECT: Economic Cooperation between the U.S. and ASEAN through direct investment of SDG-related SMEs

TO: US-ASEAN Policy Makers, Influencers, and Stakeholders

FROM: Economic Cooperation Working Group, US-ASEAN Futures Symposium
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Executive Summary

Small and medium enterprises (SMEs) should be strengthened in ASEAN Member States to help them achieve Sustainable Development Goals (SDGs) via economic cooperation opportunities related to the Green Economy. This initiative will help U.S. businesses gain a foothold in this dynamic emerging economy.

Problem Statement

The U.S.-led Indo-Pacific Economic Framework has provided opportunities for cooperation with several ASEAN Member States in the [areas](#) of sustainability and supply chain resiliency. However, ASEAN Member States such as Cambodia, Burma, and Laos were [not included](#) in the framework, limiting opportunities for cooperation and impeding efforts to strengthen the Green Economy in these countries. U.S. businesses stand to gain market share in the ASEAN market, which is [forecasted](#) to become the fourth-largest economy in the world by 2030. This is especially significant following the Biden administration's signing of the [ASEAN-United States Strategic Partnership](#) in 2022, underscoring the need for strategic solutions to include all relevant ASEAN nations in our economic initiatives with special emphasis on SMEs and SDGs.

Proposed Solutions

1. The Executive Office of the President to establish an administration goal, in partnership with ASEAN Member States, to work collaboratively in creating green jobs that focus on addressing aspects of the SDGs. Said goal must be a call to action for executive agencies to work in tandem while prioritizing the development of this initiative.
2. ASEAN governments that have not already done so to develop national investment plans that underscore needs and opportunities, especially those that play to the U.S. comparative advantage in energy, technology, and healthcare infrastructure.
3. DFC, USAID, MCC, Commerce, and other U.S. agencies to work directly with ASEAN counterparts on pre-feasibility studies and other activities to improve project preparation that boost foreign investor confidence.
4. DFC, USAID, MCC, Commerce, and other U.S. agencies work directly with facilities at multilateral banks to promote ASEAN public investment being used to create bankable projects.
5. DFC, USAID, MCC, Commerce, and other U.S. agencies to broaden their investment capacity or otherwise de-risk higher-risk projects that are active in Southeast Asia (whether through Congressional action, informal notice-and-comment rulemaking, or other legal means) to crowd in on private investment.
6. ASEAN Member States should partner with US-based businesses to provide technical assistance, on-the-job training, and other means to train indigenous workforce to industry standards in the respective fields of waste management, water filtration, renewable energy manufacturing, and energy export.
7. Working with counterparts in ASEAN government agencies to develop a repository of available projects to facilitate better coordination among US bilateral aid agencies.

Budgetary/ Political Considerations

1. This initiative will help U.S. businesses gain a foothold in this dynamic emerging economy. Southeast Asia is one of the most climate [vulnerable](#) regions of the world and needs \$210 billion per year infrastructure [investment](#) to sustain climate [adaptation](#) and [growth](#). This creates significant opportunities for economic engagement with this dynamic emerging economy.

2. This initiative will generate significant regional soft power for the U.S. The U.S. is only the [third most influential economic power](#) in Southeast Asia while China ranks first. Meeting Southeast Asia's need for infrastructure and investment in these high-growth sectors will help the U.S. regain its economic influence.
3. The U.S. benefits from greater climate security arising from such investment. Southeast Asian greenhouse gas emissions have [grown exponentially](#) given its rapid development. Helping the region cut emissions helps to mitigate rise in global temperatures, thereby limiting potential risks to the U.S.
4. The initiative will achieve the two goals identified in the [ASEAN-US Leaders Statement on Cooperation on the ASEAN Outlook on the Indo-Pacific](#) which calls for enhancing US engagement to contribute to the sustainable, resilient, and inclusive economic growth in the region as well as advancing efforts to accelerate progress to achieve the Sustainable Development Goals by 2030.
5. This policy relies purely on government directives and coordination. No significant budget allocation is required to implement this policy as this will be allotted from the \$1.2 billion requested from the [administration](#). Higher corporate profits means larger tax revenues, helping to balance the budget.

Affected Stakeholders

1. Small and Medium Enterprises (SMEs) - As SMEs are strong [drivers](#) of development, investing in them will help ASEAN maximize its economic potential by helping SMEs scale up and serve as a [future source of inbound FDI](#) for the U.S.
2. Local Communities - Local communities will [benefit](#) from the growth opportunities of U.S. investment. This not only creates new markets for U.S. businesses to operate in Southeast Asia, but also builds goodwill and support for the U.S. and ASEAN Member States.
3. Employees - ESG is a source of [good middle class jobs](#) that will strengthen the spending power of the regional population. This creates [new markets](#) for U.S. goods, thus driving export-led growth for U.S. industry.
4. Suppliers - Investment in SDGs strengthens [economies of scale](#) of ESG-compliant firms. This creates more sustainable supply chain options for U.S. firms as ESG compliance becomes more important for businesses.
5. ASEAN governments - ASEAN governments are concerned about [development](#), and this shapes their [geopolitical alignment](#) decisions. Providing growth through sustainable capital wins diplomatic goodwill for the U.S. vis-a-vis China which has a strong economic foot in Southeast Asia.