

stars insights: 7 December 2016

Asia in the Age of Donald Trump

Urs Schoettli, Consultant on Asian Affairs and Member of the stars International Board, Tokyo and Mumbai

The Trump presidency comes at a crucial moment with the forthcoming four years being of critical importance how China as the old-new world power will be integrated into the global order, both economically and geopolitically. It is self-evident that much of what has been touted during the extended election campaign in the US will not find its way into the political reality. Nevertheless, it is important to consider a few thoughts about how the initial phase of the Trump presidency will pan out for Asia.

Like elsewhere, the large majority of the general public as well as of the elites in Asia was sure that Hillary Clinton would win the US presidential elections. Japan's Prime Minister Shinzo Abe went as far as meeting with the candidate of the Democrats while he was in New York for this autumn's General Assembly of the United Nations. Significantly, the Republican candidate, Donald Trump, did not figure on Abe's schedule. Indeed, during the exceptional electoral campaign that preceded this year's presidential elections Japan had been shaken by Trump admonishing the oldest and most important American ally in Asia to do more for its defense, even urging the acquisition of nuclear weapons by Japan, a political taboo since Hiroshima and Nagasaki.

Then the unexpected happened – and Donald J. Trump became president-elect. Tokyo quickly tried to mend fences and arranged for Shinzo Abe to be the first foreign leader to meet with Trump in his splendid New York residence. There was no formal result of this get-to-know meeting and the suspension about what will be the attitude of the new American administration towards Japan will remain. Of course, Japan is not the only Asian country that is apprehensive about what the future may hold in store. Following are a few impressions about the current state of Asian attitudes towards the new US administration that will take over early in 2017.

China

Whether Trump or Clinton was to succeed in the elections, it changed nothing concerning the fact that the world has entered the Asian age, the Asian century. Interestingly enough, the Communist Party of China (CPC) held an important plenary of the Central Committee shortly before the American elections. In late autumn 2017 the CPC will hold its 19th national congress. Substantial preparations are under way for this event that will provide a benchmark for the leadership skills of Chinese President and CPC Secretary General Xi Jinping.

Of course, in the United States, too, all politics is local. The question how the new administration would have to deal with the People's Republic was, therefore, no major topic during the election campaign. Once Trump has moved to the White House, China will become a top item in his foreign, trade and security policies. The coming four years, the term of office of Trump (if he physically survives) will be of huge importance for the development of bilateral relations between the world's two most powerful nations and economies. To a large extent the coming years will decide whether the renaissance of China as a world power will be a peaceful affair or not.

Hardly he had established himself as President-elect, Trump made it clear that he is not going to change his character once he enters the White House. Plain speaking with a big dose of populism will remain his trade mark. The most remarkable incident came through a phone conversation with the President of Taiwan. Ever since it recognized the People's Republic of China as the sole Chinese sovereign state no American President or President-elect has held a phone conversation with the leader of Taiwan, which in the eyes of Beijing is a "renegade province". Obviously, neither the White House nor the State Department had been in the loop of Trump's approach to Taiwan. The outgoing administration made it clear that nothing has changed in the official US policy viz. China. But what does that mean? In a short while the present occupant of the White House will have vacated it and then it is Trump's turn.

Of course it is far too early to figure out what will be the lasting consequences of this rather unexpected incident. For the time being those seem to be right who fear – or hope – for a more confrontational attitude of the American administration towards China. Of course we know since a long time that trade issues will play a big role in this, but there is also every likelihood that major political issues, such as Taiwan, will cause frictions and crises between the two major world powers. It has to be recalled that it was Ronald Reagan, a film actor, who brought the Soviet Union to its knees and called on President Gorbachev to "pull this wall down". May it be that Trump is having the implicit task to cut the Chinese to size?

Official Chinese reaction to the election of Trump has been scant but comprehensive. In a nutshell Beijing has signaled that cooperation between the two major powers is an essential ingredient and even a precondition for a peaceful international order. Xi Jinping made it clear that it would be a dangerous mistake for Trump not to take up seriously this opportunity.

Specific statements of Donald Trump regarding China and particularly the issue of trade have not elicited direct reactions. Newspaper comments, however, indicate that Trump's threats of massive tariffs on Chinese goods is not seen as likely to materialize. Beijing warns Washington not to embark on a protectionist course, as this would be damaging for the Americans themselves.

Even before he assumed office, Trump had an informal meeting with Japanese Prime Minister Shinzo Abe during which there might have been some clarification on controversial statements regarding Japanese defense. The question which Asian leader would be the first to meet the new American President has, therefore, been settled. However, there are also controversial statements regarding China that were made by Donald Trump during the election campaign that need clarifying.

While some Chinese policy experts worry about a more hawkish course of the new administration, others, and most notably business leaders like Jack Ma, show a relaxed attitude. They recall that Trump is a businessman himself and that he will be a pragmatist. During outgoing President Barack Obama's two terms relations between Washington and Beijing had no spectacular ups and downs, but in the case neither of Xi Jinping nor of his predecessor Hu Jintao there was the close understanding that had for example existed between Bill Clinton and Jiang Zemin.

Of course things have not gotten easier. China is today much more powerful and self-confident than twenty, even ten years ago. Tensions in the neighborhood have increased (think of the South China Sea) and the United States has today more important security interests in the Pacific region than at any time since the end of the cold war. The most difficult task the new administration will be facing with regard to China will be to find the right mix of a definite acknowledgment of China's new leadership role and of a resolute defense of the legitimate interests and values of the United States.

China's leadership takes a long term view of policies. In fact many Western observers praise the Chinese system for this perspective comparing it favorably to the short-termism that seems to be the hallmark of democracies. However, there is a reverse side to this. Chinese leaders do not like uncertainties and ambiguities. Their task, their "mandate of heaven" is to advance the country in terms of economic progress and international prestige. This is made much more difficult in an environment of uncertainty.

Looking at the issue of international trade we can see such ambiguity with regards to the Pacific region. China is fervently against protectionism but at the same time it is equally fervently against TPP, as it sees this project as a major attempt to contain China. In fact China had established its own trade vehicle, the Regional Comprehensive Economic Partnership (RCEP), comprising ASEAN plus China, Japan, India, South Korea, Australia and New Zealand. So Beijing can certainly be pleased that Trump has declared the abrogation of TPP as one of his first acts in the White House, while it must at the same time be greatly worried about his plans to curtail Chinese exports to the US.

Japan

We know that during election times a lot is said and promised that will never become reality. It seems that the most recent campaign in the United States brought this electoral custom to new heights, particularly on the side of the Trump camp. Like with "Freudian slips", some things that are said, however outrageous they may be, may in fact hold more hidden truth than people think or want to perceive. This is most certainly the case with Donald Trump's statement about Japan's national defense.

Trump has made it clear that he wants more efforts from the US allies, be they member of NATO or be they bilateral allies such as Japan and South Korea. Indeed in the case of Japan this admonishment is much less justified than in the case of many European US allies. Even more irritation was caused when Trump suggested that Japan might acquire nuclear weapons for its self-defense.

Ever since Shinzo Abe came back to power in late December 2012 he has given strong indications that he wants Japan to become a “normal” country as concerns its military defense and prowess. He may of course not succeed in getting article nine in the Japanese constitution removed, which in fact obliges Japan to forsake warfare. Nevertheless, Abe has undertaken a number of steps to enhance the military capabilities of Japan. By this he is also reacting to the growing threat from China.

In many ways Japan under the leadership of Prime Minister Abe is, therefore, the wrong addressee of Trump’s admonishments. However, Japan has taken notice of some new realities and priorities that are going to shape the Trump administration. It is too early to spell out what Tokyo’s reaction will be. One thing is certain, Japan will have to do more to shore up its defenses than had been the case in the past. This will not only apply to rearmament, it will also have implications for Japan’s foreign policy.

TPP has effectively been ditched by Donald Trump. Only a short while ago, after much prodding and horse-trading by Prime Minister Abe, the Japanese Parliament had agreed to TPP. It is, therefore, a slap in the face of Abe for Trump to declare the exit of the US. Of course one could think of a regional trade agreement without the US. But this would not fulfill the central geostrategic goal of the TPP, which through the exclusion of China had made it clear that this trade agreement had a political purpose, too.

Therefore, while Beijing will not show too much triumphalism as it is under pressure on other fronts that are going to be opened by the Trump administration, it must certainly draw comfort from the loss of face that afflicts Japan and particularly Prime Minister Abe.

Important questions will be whether and in what manner Russia will enter into the scheme of things. After the end of the cold war Moscow kept a low profile in East Asia. Not too long ago there were concerns that the Soviet navy might seriously challenge the supremacy of US navy in the Pacific operating theatre. Then, after the collapse of the Soviet Union the Russian fleet withdrew from the Pacific. Under Putin Moscow is gradually recovering lost influence, in some cases even with military means.

The question hanging over the Far East is, whether Russia will profit from the obvious retrenching of the US from overseas. It is not, likely that the alliance between the United States and Japan will break up in the foreseeable future. However, even if disagreements are papered over once the Trump administration is holding office, Tokyo must be aware that it has to reduce its security dependence on the US. This concerns not only the military aspect but also the foreign and trade policies.

There is still the issue of the Kuril Islands, which had been taken by the Soviet Union at the end of World War II. Japan wants, what it calls “northern territories”, back under its fold, while Moscow until now has been resisting this. As there are obvious common geopolitical interests and huge commercial and business potentials that speak in favor of a Russo-Japanese reconciliation, it remains to be seen whether Abe and Putin, who are both strong-willed leaders, will find a mutually beneficial solution.

India

India hasn't been in the focus of the transition taking place in Washington. At least rhetorically the main targets have been China, Japan and the European NATO allies. Obviously, if Trump retrenches from international trade, Indian exports to the US will also suffer. However, compared to China India is much less dependent on international trade. A large part of the Indo-US exchange has shifted from physical goods to services and the internet of things is opening up important new fields of exchange.

Indian interests will be seriously affected by Washington's policy towards the Silicon Valley. This is firstly an issue of Trump's immigration policy, as restrictions will also affect the Indian overseas community. Of course the Indian presence in the USA does by far not have the significance of the Mexican or Central American presence in the US. Furthermore, a large part of the Indian migration to the US is skilled or highly skilled labor, for which there is huge demand in the US.

However, the Indian IT sector is already complaining that restrictions might have a negative effect. It will hamper the recruitment of skilled labor and rise operating costs. On the other hand, if Trump is focusing on "big ticket" items that are immigration from Mexico and trade deficits, India stands to profit from being in the shadow.

Within the Indian community in the US we are witnessing an interesting development in the domestic political orientation. First generation Indian immigrants to the US tend to support the Democrats. Most recently, however, we have witnessed a shift towards Republicans. This refers to second generation Indians in the US as well as Indians with higher skills and better education.

The least trouble is to be expected in the field of international security and the fight against terrorism. Here President Trump and Prime Minister Modi are on the same wavelength. While President Obama had been notoriously reluctant and unwilling to call Islamist terrorism by its name, President Trump has made it clear that he sees terrorism and Islamic radicalism as main threats to US interests. It can, therefore, be expected that under Trump there will be more understanding for India's position in the war against terrorism and that Pakistan will come under pressure on several fronts when it comes to fighting terrorism in South Asia.

As the contours of Trump's foreign policy are still missing, it is difficult to find a clear assessment as to how the future of Indo-US relations will develop. It is clear that for the new administration, too, India will be an element in the containment of an ever more self-asserted China. Delhi will remain wary of Washington's attempt to perceive it as a bulwark against Chinese expansionism. However, collaboration with Japan in a variety of fields will intensify and this will have an impact on how Washington will perceive the geopolitical contentions particularly in the Indian Ocean region.

South East Asia

South East Asia is a very complex region. Of course the Trump administration will look at this region primarily in the context of Chinese expansionism in the South China Sea. There is nothing much to be expected from the Filipino-US relations after

the most recent positions taken by the new Filipino President Duterte. For domestic reasons (scandal about the Malaysian sovereign wealth fund) Malaysia has moved closer to China. Once a major importer of US military equipment, Kuala Lumpur is in negotiations with Beijing. Three countries that will deserve more attention by Washington are Indonesia, Myanmar and Thailand.

The challenges in each of these countries are distinct. Indonesia has the world's largest Muslim population and there must be concern that it does not fall prey to destabilization and Islamist fanaticism. Myanmar is in the midst of a process of democratization and modernization which has been in some ways successful but is by far not at its end. Finally, there is Thailand where a great deal of tact, attention and understanding is required on the side of the United States. In this respect most recently US-Thai relations have not been in the best of health, particularly after the military take-over. However, in this respect one can expect a more subtle and understanding position by the Trump administration. The Kingdom, which is facing a number of social, security and political issues is of crucial importance both for China and for the US when it comes to the geostrategic position of South East Asia.

As South East Asia is not in the same league as China and Japan, when it comes to geopolitical moves by Washington, the region and the world must wait with apprehension for the appointment of the complete foreign and security team of the new President. It will be them that will deal with ASEAN and not President Trump himself, safe of course there is an acute crisis.

The economy, stupid!

"The economy, stupid!" was the famous campaign slogan with which Bill Clinton managed to put President Bush father on the spot. In spite of all political rhetoric and exchanges most notably between Washington and Beijing, the main issue will be the economy. Initially a Trump presidency looks negative for Asia's economic growth. Trump has promised to bring back jobs to America, which during the past for decades had migrated to China and other Asian countries. He has also promised to make America's allies pay more for their defense. Furthermore, there will be negative economic impacts of Trump's restrictive immigration policies. And last but not least, Trump's commercial and domestic economic policies will have a substantial impact on the external value of the US-\$ and as well as interest rates and investment flows.

In a first instance export industries from Japan to China, from India to South East Asia will be worried about the impact of Trump's mercantilist stance. The possible fallout will, however, be divergent. In the case, for example, of the Japanese car industry, large-scale transfer of production facilities to the United States has taken place a long time ago. Substantial parts of China's bulk exports to the US will not be hampered in the near future, either because of price restraints (no one can compete with the Chinese on cost terms) or because of the transfer of production facilities to the US taking time. Furthermore, in the case of India a large part of the transactions taking place with the US is not anymore in the field of physical trade but in the field of invisible transfers in service and IT sectors.

International markets are volatile, there is to be expected a lot of turmoil, once the hundred first days of the Trump administration have started. US-Asian relations in all

their complexity have to find new equilibriums. Until this process has taken shape and the new American administration is fully onto the challenges in Asia, there will be wide fluctuations in Asian currency and equity markets. There will certainly be an impact on economic growth in Asia. The question in the air is, how fast Asian governments and entrepreneurs will be able to adjust. In many respects this adjustment process should not take too much time, as most governments are aware which structural reforms are overdue – think of China in terms of stimulating domestic consumption; think of Japan in terms of more efficiency and more open markets; think of India in terms of enhancing the private sector and retrenching government interference.

Looking at these overdue reforms one could even express the hope that the change of tone and – maybe – of action by the White House might speed up overdue structural reforms in the major Asian economies. Not least, if the US economy is picking up speed – which is widely expected – it will have a beneficial effect on Asian economies as, in spite of all talk of trade restrictions, growing private demand in the world's largest economy will without any doubt have repercussions beyond the borders of the US.

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