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Trump and the Asia-Pacific: Do the Ties Still Bind?

MARK BEESON

Donald Trump became the 45th president of the United States in large part because he promised to put “America first.” While it may be unremarkable that a politician from any country would champion the so-called national interest, what is remarkable is that this message apparently resonated so powerfully with many Americans disgruntled about the impact of “globalization.” The scare quotes are necessary because the very idea of globalization is one of those essentially contested concepts about which academics often agonize due to its inherent complexity and ambiguity. Much of the general public, by contrast, associates globalization with all that is wrong with a world characterized by relentless competition, declining living standards, and diminished expectations. It was precisely these people who put Donald Trump in the White House.

Having nailed his nationalist colors to the mast, the challenge for Trump is to actually deliver on an electoral agenda that was long on rhetoric but strikingly short on policy detail. Trump is not unique in this regard, but with unusual vehemence he made a virtue of being a political outsider with a unique ability to recognize and address problems neglected—or even directly created—by a self-serving political elite detached from the concerns of regular Americans. The question now is whether he can fulfill his promise to rectify the supposed wrongs of domestic governance and international commerce, while simultaneously moving away from the grand strategic goals of Barack Obama’s administration, epitomized by the so-called pivot

to Asia. To judge from the evidence thus far, the answer is “probably not.”

The failure to follow through on many campaign promises does not seem to have disillusioned Trump’s core support base—at least not yet. But as important as the domestic context will undoubtedly be in determining the success and duration of the Trump administration, it is arguably less important than the international arena, where American policy continues—for better or worse—to exert a uniquely powerful influence over the rest of the world. And no part of the planet is more consequential than the Asia-Pacific region, which contains many of the world’s most combustible strategic flashpoints, a number of its largest economies, and an increasingly credible and assertive peer competitor to the United States in the shape of the People’s Republic of China (PRC).

America’s relationships with the countries of the Asia-Pacific region will not only help to determine the success or failure of the Trump administration’s foreign policies, but they will also place powerful constraints on domestic policy. Indeed, America’s complex, multidimensional, interlocking ties with the Asia-Pacific will shape the foreign and domestic policies of the region’s other key actors, as well. The simple reality is that despite not being part of the narrower East Asian region, which is the current epicenter of the Asia-Pacific’s economic dynamism and strategic vulnerabilities, the United States continues to influence its evolution. The prospects for regional peace and prosperity are shaped by American actions, even when they are seemingly driven by domestic imperatives. However, the region may, by design or accident, exert a similar influence on the United States.

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SHAPING THE REGION

One of the other questions scholars take seriously is the way we define various parts of the world. Again, this may strike some readers as excessively pedantic but it can and does matter. Whether we talk about the Asia-Pacific, East Asia, or the increasingly fashionable Indo-Pacific region makes a difference, and not just to geographers. Deciding who is in, or of, a region has consequences for the sorts of institutions that are developed there and—even more consequentially—which country provides leadership.

Despite not being either in or of the East Asian region, the United States has offered a very distinctive and decisive form of long-distance leadership for more than half a century. Yet whatever one may think about the impact of American influence in the region, its continuity was in question even before the Trump administration assumed office. Its subsequent actions have only added to the perception that the United States is either unable or unwilling to continue this long-standing role.

Given the historical importance and impact of what the Chinese, among others, like to describe as “American hegemonism,” it is worth reminding ourselves about what it looked like and why it has had such an impact. The key point to emphasize in this context is that the international institutions that are seemingly held in such little regard by many in the Trump administration were central components of American global influence for more than half a century.

It is not necessary to be an unqualified admirer of the sorts of policies that have been promoted by the International Monetary Fund (IMF), the World Bank, or the World Trade Organization (WTO) to recognize that these organizations reflect a set of policy prescriptions and ideas that are associated primarily with the United States. The continuing influence of “American” liberal values is one of the principal reasons why so many commentators have been critical of the agenda and impact of the international financial institutions. America’s still-dominant position in bodies such as the IMF has prompted China’s attempt to create an alternative institutional order that reflects its own preferences.

But before considering the ways in which other countries are seeking to challenge American dominance, it is important to highlight how different the impact of US policy has been in the strategic arena. The so-called hub-and-spoke alliance structure that the United States established in the Asia-Pacific in the aftermath of World War II may not

have the same sort of institutional presence that the formal economic organizations do, but it has exerted a powerful influence nevertheless. Bilateral alliances and close strategic ties with the likes of Japan, South Korea, Australia, and the Philippines have played a major role in embedding the United States in the region in the form of military bases and personnel.

Again, it is not necessary to think that the impact of this security architecture has unambiguously been a good thing to recognize that it has allowed the United States to decisively influence the development of the region as a whole. Indeed, the very definition of the region in question has been a function of American strategic policy. What we now think of as East Asia in terms of an integrated economic and political project could not exist while the Cold War was in full swing and China remained on the wrong side of the Iron Curtain.

Those observers who claim that the world has changed profoundly in the post-Cold War era and that policy should reflect this do have a point, however. China’s accession to the WTO may have seemed like a triumph for liberal capitalism in 2001, when it effectively marked the end of alternatives to broadly Western forms of economic organization. Now, though, China’s emergence as one of the world’s most dynamic capitalist economies—in all but name—only highlights some of the shortcomings and vulnerabilities of the American model.

It is precisely this reality—especially the loss of well-paid jobs in the manufacturing sector and its domestic political consequences—that preoccupies the Trump administration. The question is whether the United States under Trump has a policy platform that is capable of simultaneously addressing the complexity of contemporary international economic and strategic relations. The way it engages with East Asia, the most significant economic and strategic region in the world, will provide an answer.

PAPER TIGER

The possibility that the East Asia region—or the Asia-Pacific, for that matter—might have a distinctive character that reflects contingent circumstances is not simply a historical curiosity. On the contrary, the evolution of East Asia’s political, economic, and even strategic institutions influences the way the United States engages with the region.

Despite the Trump administration’s relentless rhetorical focus on putting “America first,” it is

far from clear how this slogan could be translated into actual policy. For all the imprecision associated with the idea of globalization, it really is a useful shorthand for the complexity of contemporary economic relations that transcend national borders and which make defining, let alone pursuing the “national economic interest” fiendishly difficult. The complexities of contemporary policy making are especially clear in America’s single most important bilateral economic relationship, which also happens to be its most important strategic challenge.

Much has been written about the economic relationship between the United States and China, and there is no intention of attempting to encapsulate that nuanced debate here. However, a few simple points can be made. First, despite vowing to name China as a “currency manipulator” and impose punitive tariffs on Chinese exports on day one of his presidency, Trump has conspicuously failed to follow through on that promise, as with many others. The fact that he has not been willing or able to act against China tells us much about the current state of play between the world’s most consequential powers.

Trump’s supporters may claim that he has been sidetracked by the need to deal with an erratic, threatening North Korean regime. Even if this is true, and the Trump administration recognizes that it can do little to deter North Korea’s nuclear weapons program—short of outright war—without China’s assistance, it is a telling illustration of Washington’s diminished regional influence. The unfolding crisis on the Korean peninsula has tested Trump’s capacity to intimidate North Korea and simultaneously maintain good relations with China.

There is, however, a more prosaic explanation for the Trump administration’s reluctance to impose economic sanctions on China: not only is it far from clear whether such penalties would have any impact, but even if they were imposed it is quite likely America would be hit just as hard as China. Ironically enough, one of the reasons that China has become such a formidable economic competitor is that it benefited from American investment and technology transfers after Deng Xiaoping began the process of opening the domestic economy in the 1980s. As a result, a large share of the net value of “Chinese” exports to the United States—by some estimates, 55 percent—

actually goes to American companies and workers.

The iPhone is the quintessential example of a process in which most of the value-added of this notionally Chinese export is actually captured by Apple, by other American companies, or by suppliers in South Korea, Japan, and Germany. Given the nature of such transnational production structures, in which multinational corporations routinely operate across national boundaries, many economists think conventional trade statistics are quite literally meaningless.

That doesn’t stop politicians from fulminating about trade deficits, of course. While there is nothing surprising about such posturing, what is noteworthy and rather alarming is that some of Trump’s key advisers have a decidedly old-fashioned view of the way the international economy works, and equally anachronistic ideas about what national policy ought to look like as a consequence. Peter Navarro, who was plucked from obscurity to head the National Trade Council, is the author of a book

China appears to be stealing a march on its more experienced rival.

called *Death by China*. Navarro advocates imposing tariffs on “Chinese” exports to reduce the trade deficit while simultaneously investing more in the United States itself. But trade deficits are not a meaningful indicator of the national economy’s health.

Despite running trade deficits for four decades, the US economy has tripled in real terms, while the number of jobs nearly doubled.

Navarro and his ideological soulmate, Commerce Secretary Wilbur Ross, also don’t seem to consider the sorts of actions that China might take in response to any aggressive trade policy. A Chinese threat to stop buying US Treasury bonds would unnerve perennially skittish markets and effectively end America’s low interest rate regime.

STEPPING INTO AMERICA’S SHOES

The Trump administration’s apparent repudiation of the multidimensional institutional architecture created under the auspices of American leadership (or failure to recognize its benefits) has major implications, and not just for the United States. China—or more specifically, the increasingly powerful figure of President Xi Jinping—has taken the opportunity to claim a leadership role in the region and the world.

There is a good deal of merited skepticism about the willingness or capacity of China’s ruling elites

to provide the sorts of collective goods—especially an open domestic market and a freely tradable currency—that were thought to be part of America's distinctive hegemonic role. Nevertheless, it is striking that Xi has made a series of landmark speeches at summits of the Asia Pacific Economic Cooperation forum, and even more improbably, at the annual meeting of the world's business elites in Davos, Switzerland, in January 2017. The central message of these addresses has been consistent and clear: in the absence of American leadership on critical economic and even environmental questions, China is prepared to fill the vacancy. It is striking that Trump himself proved unwilling to criticize Xi during their initial meeting this April at Trump's Mar-a-Lago club in Florida, despite China's push for international prominence at America's expense.

Xi's assertiveness reflects an accelerating trend, one with a real material and institutional basis. Within the past few years, China has created the Asian Infrastructure Investment Bank (AIIB) and the even more ambitious and potentially consequential One Belt, One Road (OBOR) initiative to build a vast transportation network. OBOR is seen by some observers as a Marshall Plan for Asia, given its scale, ambition, and long-term potential. If successfully realized, it could transform both the governance and the production structures of much of Asia. It could also help to resolve China's domestic overcapacity problems. There is much that could go wrong with this project, but it must be granted that the scale of China's achievements already has far exceeded what most observers would have thought possible thirty or even twenty years ago. It would be unwise to bet against Beijing reaching its lofty, multidimensional goals.

No doubt many observers in the United States will be horrified by the geopolitical implications of such developments. And from the perspective of America's traditional strategic interests and policies there is, indeed, much to worry about. No matter how much some of the comparatively weak states of Southeast Asia may fret about China's regional territorial ambitions, the fact that the PRC is also their major trade partner inevitably gives them pause for thought.

Philippine President Rodrigo Duterte's abrupt and unexpected rapprochement with China is but

the most dramatic example of a former American ally succumbing to the gravitational pull of China's regional economic weight. Other Southeast Asian states, such as Cambodia, are being directly bought off by China—fatally fracturing the Association of Southeast Asian Nations, the region's most enduring organization, in the process. Even hitherto stalwart US allies such as Australia agreed, albeit after some agonized debate, to become members of the AIIB despite explicit objections from the Obama administration. Trump's rather contemptuous initial attitude toward Prime Minister Malcolm Turnbull has done little to reassure alliance supporters in Australia, despite recent efforts to repair relations.

GEOECONOMICS AND GEOPOLITICS

All of this raises another, rather discomfiting question for the United States and its allies: Does the current generation of Chinese policy makers have a better grasp of contemporary economic and strategic realities than their counterparts in the Trump administration?

The growing scholarly interest in geoeconomics, or the utilization of economic instruments and leverage to achieve broader geopolitical or foreign policy goals, has been driven

in large part by the rise of China and its evolving approach to foreign policy. China has not been pursuing the sort of traditional statecraft that we have generally associated with aspiring great powers. Chinese policy makers have proved skillful at linking economic and strategic goals, especially by using state-owned enterprises, to pursue what they take to be their country's overarching national interests.

Even where we might expect the United States to enjoy an unambiguous comparative advantage—in the creation and utilization of international institutions, for example—China appears to be stealing a march on its more experienced rival. The Trump administration's abrupt withdrawal from the painfully negotiated Trans-Pacific Partnership (TPP) came as a major blow to key allies such as Australia and Japan, which had invested significant amounts of diplomatic capital in the multilateral trade deal. It also allowed China to add institutional firepower to its economic leverage. Although China's championing of the Regional Comprehensive Economic Partnership and

Regional allies are finding it more difficult to fall into line with US preferences in the way they once did.

the Free Trade Area of the Asia Pacific as alternatives to the TPP may seem counterintuitive, given the degree of control the Chinese state continues to exert over the domestic economy, it illustrates how little competition there is for leadership in this area.

Any lingering doubts about America's willingness to go it alone and abrogate its leadership position were dispelled by Trump's decision in June to pull out of the Paris agreement on climate change mitigation. China looks likely to take over a lead role in that forum too, with the active support of the European Union.

The consequences of this power shift are not confined to the economic realm. Of potentially even greater long-term significance has been the impact of China's rise on America's strategic options. Key regional allies such as Australia and the Philippines are finding it more difficult to fall into line with US preferences in the way they once did. More immediately, China is applying direct economic leverage on other American allies like South Korea, which is feeling the full weight of an unofficial Chinese economic boycott. It seems that China's unhappiness over the US deployment of the Terminal High Altitude Area Defense missile system in South Korea may get a more receptive hearing in Seoul under new President Moon Jae-in. Yet even if this pressure ultimately proves to be counterproductive, it is another striking example of China's policy activism in a region in which Washington's direct influence appears diminished, and even minimal progress on major problems such as North Korea seems to depend on Beijing.

An arguably even greater constraint on the United States' freedom of action results from its reliance on continuing inflows of capital from the PRC. America has long been the world's largest debtor, relying on China to buy its government securities. China was for years the single biggest buyer of US Treasury bonds, holding some \$1.1 trillion as of this May, or over 20 percent of American debt held overseas (though it was overtaken by Japan in 2016 as the largest US creditor).

Without this obliging behavior on the part of the Chinese, US interest rates would be higher, and there would be yet another major question mark hanging over some of the Trump administration's grandiose plans, such as its proposed naval build-up. There is no small irony in the fact that Chinese money would help to fund this military expansion, which is being driven primarily by the prospect—

or the inevitability, according to senior Trump adviser Steve Bannon—of conflict with China over its territorial claims in the South China Sea.

COMBUSTIBLE MIX

Bannon is an example of much that is distinctive—some would say dangerous—about the Trump administration generally and its policy toward Asia in particular. Rarely has such a group of inexperienced, ideologically driven individuals exercised such apparent influence over a US president. Trump himself lacks any previous experience in public service or specialist knowledge of international relations, and has shown no interest in addressing this deficit. His desire to transplant his “transactional” approach from the business world to foreign policy has yet to deliver any obvious benefits; its principal impact so far appears to have been to unnerve regional allies and encourage other leaders of the “strongman” variety to believe they may be able to strike deals despite concerns about political and normative differences. Minor-league authoritarians such as Duterte clearly see an opportunity to play off one great power against another.

How the Trump administration responds to the rapidly evolving regional environment will depend in large part on what happens to the president himself. Given that the administration has gotten off to a chaotic start, lurching from one self-induced crisis to another in its first few months, it is far from clear that Trump will last four years, let alone eight. The expectation or hope among admirers of America's distinctive political and judicial system is that its fabled checks and balances will constrain the president and ultimately “socialize” him into the norms and practices of America's traditional worldview.

Perhaps they will. There has been speculation that some of the more controversial figures such as Bannon and Navarro are being marginalized, while more experienced figures such as national security adviser H.R. McMaster have been appointed to key posts. However, Secretary of State Rex Tillerson also lacks any foreign policy experience, other than as a private-sector oil executive. Even more tellingly, Trump's cabinet is populated with precisely the sort of wealthy Washington and Wall Street insiders, such as Treasury Secretary Steven Mnuchin, whom candidate Trump had promised to banish from office.

The great hope for the rest of the world is that the Trump administration may begin to look rath-

er more like its recent predecessors. Policy may become more measured, and institutional and strategic engagement with Asia may once again be seen as one of America's fundamental and enduring geopolitical priorities. There are signs that at least some members of the Trump administration understand the importance of alliance partners—whatever their intrinsic merits may be.

The key question for Americans—and for those of us in the Asia-Pacific region—is whether President Trump will change the world more than it changes him. The possibility of miscalculation or accident is already high at a time when the region is undergoing major geopolitical change, and when questions about international leadership are much more unsettled than we might have guessed only a few short months ago. When we add to the mix a thin-skinned, inexperienced, highly unconventional, impulsive US president, the chances of something going badly wrong

are even higher—uncomfortably so. At the time of writing this seemed a real danger, as Trump threatened in August to inflict “fire and fury and frankly power, the likes of which this world has never seen before” on the recalcitrant regime of Kim Jong-un. Worryingly, China has responded to Trump's threats by suggesting it will defend its ally if America strikes first.

Ironically, even in the absence of outright war, one of the consequences of Trump's desire to privilege America's national interests is that it may accelerate China's rise as a major power—and even as an alternative leader of the international system. Some Trump administration officials appear to recognize the impact China's growing clout could have on America's primacy and standing, to say nothing of its effect on US allies in the region. It is less clear what they can do to restore the old order—with or without the support of their unpredictable commander in chief. ■