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The End of the TPP: Symptoms of American Decline and ASEAN's Response

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EXECUTIVE SUMMARY

- A sizeable part of the general public in the US is blaming international Free Trade Agreements (FTAs) for problems that are endemic to globalization.
- Managing the effects of globalization requires serious reforms in the US social safety net and a change to the American approach to state-society relations. However, the politics of racial division and ideological rigidity are too deeply entrenched for the country to effectively address its problems.
- This means there is no possibility that the TPP will be resurrected with US participation. It also means that domestic social and economic problems that undermine US global leadership will continue, and possibly get worse.
- This holds serious effects on US foreign policy that may include an over-emphasis on military power.
- The decline of US power and engagement will alter the regional balance of power. This opens up possibilities for ASEAN to become a more active institutional actor. However, since divergent national interests make it unlikely that the organization can behave as a unified political actor, ASEAN's best response to the decline of US power is to ready itself for a region wherein China is the most important regional actor.

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INTRODUCTION

One of Donald Trump's first acts as the President of the United States was to officially withdraw the US from the Trans Pacific Partnership (TPP) agreement. This left many observers in Southeast Asia wondering what this means for the US commitment to the Asia Pacific.¹

Although the US will remain a major economic player in the region, the death of the TPP symbolizes the end of American global dominance. American political, social and economic dysfunction has been building up in the US for decades. With the end of the Cold War and with enhanced globalization, that dysfunction has taken a more pernicious turn towards a reactionary nationalism that blames the rest of the world for the United States' internal failings.

The US lacks the political and ideological flexibility needed to adopt reforms that are necessary for it to successfully manage the social and economic effects of globalization. Until it does, public resistance to multilateral trade agreements will remain, and even grow. To be sure, the US intends to remain militarily engaged in Asia, but as its economic engagement declines, an increasing military presence may be destabilizing for the regional order. Within the Asia Pacific, many American allies cling to the hope that the US will find its bearings and re-establish its commitment to the status quo. However, this is unlikely, given the fundamental nature of the US' problems.

How can and should ASEAN respond to this changing situation? The ASEAN states have an opportunity to redefine their relationship with the US and consolidate intra-ASEAN cooperation. However, it is unlikely that they can manage that. Ultimately, the region will need to come to terms with an ascendant China and accept greater competition between regional powers.

THE END OF THE TPP AND AMERICAN DYSFUNCTION

On 23 January 2017, with the stroke of a pen, President Donald Trump pulled the United States out of the TPP. Trump's action was expected; he had campaigned on the promise to kill the TPP. However, regardless of which party won the White House, the TPP was likely dead. It had been renounced by Hillary Clinton and vilified by Bernie Sanders.

On both the political left and right in the US, there is a shared belief that economic globalization, manifested in trade arrangements such as the North American Free Trade

¹ For expressions of how important regional leaders saw the TPP as an indication of US power and commitment to Asia, see: Interview with Lee Hsien Loong (2016) Time, October 26: <http://wime.com/4545407/lee-hsien-loong-singapore-globalization/>; Opening remarks by Prime Minister Shinzo Abe at the Dialogue with the New York-based business and financial community, September 21, 2016: http://japan/kantei.go.jp/97_abe_statement/201609/1219240_1105.html.

Agreement (NAFTA) and China's joining of the World Trade Organization (WTO), have cost the American people the low-skilled manufacturing jobs that, historically, served as a stepping stone into American middle class success. While this belief has relatively little grounding in fact, the reality that the US middle class is on the decline has fuelled Americans' search for explanations and scapegoats.²

The opening of borders to trade has created enormous wealth and lifted hundreds of millions of people out of poverty on a global scale. However, economic globalization has often been in tension with democracy.³ It has caused enormous income inequality. To successfully navigate globalization, states need to build extensive social safety nets (including health and welfare), provide access to affordable education, and find other ways to protect society from the destructive effects of marketization.⁴ More than most states, the US has the capacity to successfully navigate globalization. However, its deep internal divisions make it unlikely that it will use this capacity.

The political decay in the US that culminated in the election of Donald Trump has been building since at least the 1960s. At that time, cultural upheaval and the civil rights movement initiated a "culture war" in the US that pitted conservatives against liberals. The Republican Party exploited the politics of race through Nixon's "southern strategy," which appealed to disaffected southern states that had abandoned the Democratic Party because of its advocacy of civil rights.⁵ The Republicans employed "dog whistle" politics to sow racial and economic division. In the US, much of the opposition to the expansion of the welfare state (as well as government authority in general) is rooted in white Americans' belief that these measures benefit minority groups at their expense.⁶ Trump's primary innovation is that he said outright what other Republicans said in code. Many Americans who voted for

² DeLong (2017) "NAFTA and other trade deals have not gutted American manufacturing – period," Vox, January 24: <http://www.vox.com/the-big-idea/2017/1/24/14363148/trade-deals-nafta-wto-china-job-loss-trump>.

³ See Rodrik (2011) *The Globalization Paradox*, New York: W.W. Norton.

⁴ Rodrik (1998) "Why do More Open Economies Have Bigger Governments?" *Journal of Political Economy*, vol. 106, no. 5, October: 997-1032. As an empirical finding, Rodrik demonstrates that states that are most open to the world economy also have the largest governments, apparently because they need extensive social welfare/safety nets to mitigate the socially disruptive effects of economic forces.

⁵ For a full account of the political and historical forces that led Nixon to pursue the "southern strategy", see Perlstein (2008) *Nixonland*, New York: Scribner. Francis Fukuyama has described the US of today as being in an advanced state of "political decay", largely because of the corruption of its democratic political system by wealthy elites and interests which have "captured" different parts of the state. See Fukuyama (2014) *Political Order and Political Decay*, New York: Farrer, Strauss, Giroux.

⁶ See Porter (2017) "Trump Budget Proposal Reflects Working Class Resentment of the Poor," The New York Times, March 7: <https://www.nytimes.com/2017/03/07/business/economy/trump-budget-entitlements-working-class.html>.

Trump absorbed the racism inherent in the society to such a degree that they did not see Trump's overt bigotry and misogyny as disqualifying.⁷

Without the ability to overcome these social, political and ideological divisions, the US will not implement the social programmes necessary for it to manage the effects of globalization. Thus, it is caught in a self-created spiral of economic, political and social dysfunction from which it cannot extricate itself.⁸ These problems will only become worse as new technologies further disrupt traditional economic models and put more people out of work. A popular explanation for Trump's victory is that it was "the revenge of the white working class," people whose jobs were lost to globalization. There is undoubtedly enormous and growing economic inequality in the US. Worker incomes have stagnated since the 1970s; there is a massive concentration of wealth in the hands of a few.⁹ In response to this, large parts of the white working class voted for Trump. However, the real political consequences of income inequality and the loss of faith in democratic institutions were not necessarily a turn to the political right.

Dissatisfaction with the status quo may be more manifest in the fact that almost 8 million people voted for a third party candidate, as opposed to 2 million in 2012.¹⁰ Trump lost the popular vote to Clinton by almost 3 million votes; Trump's victory hinged on about 77,000 voters in three rustbelt states which, if there had been a better voter turnout for the Democrats, could easily have swung to Clinton.¹¹ About 784,000 working class voters in ten battleground states put Mr. Trump over the top – significant, but not a movement.¹² In fact, most Trump supporters were economically well-off.

⁷ There is also credible analysis to suggest that a sizable majority of Trump's supporters are, indeed, overtly racist. See: McElwee (2016) "Yep, race really did Trump economics: a data dive on his supporters reveals deep racial animosity," Salon.com, November 13: <http://www.salon.com/2016/11/13/yep-race-really-did-trump-economics-a-data-dive-on-his-supporters-reveals-deep-racial-animosity/>.

⁸ Note that the policies Trump has proposed seem designed to make life more difficult for poorer Americans. The effort to repeal the Affordable Care Act is a striking attempt to take a much-needed social support away from poorer American citizens to give tax cuts to the wealthy; Trump's budget proposes to fund a \$54 billion increase in military spending at the expense of "discretionary programs" that provide the greatest support to the poorest Americans.

⁹ Cohen (2016) "A Bigger Economic Pie but a Smaller Slice for Half of the US," *The New York Times*, December 6: <https://www.nytimes.com/2016/12/06/business/economy/a-bigger-economic-pie-but-a-smaller-slice-for-half-of-the-us.html>; Eberstadt (2017) "Our Miserable 21st Century," *Commentary Magazine*, February 15: <https://www.commentarymagazine.com/articles/our-miserable-21st-century/>

¹⁰ Azhar (2016) "2016 vs. 2012: How Trump's Win and Clinton's Votes Stack Up to Romney and Obama," *Forbes.com*, December 29: <https://www.forbes.com/sites/realspin/2016/12/29/2016-vs-2012-how-trumps-win-and-clintons-votes-stack-up-to-obama-and-romney/#1a8fe9d01661>.

¹¹ The Cook Political Report (2016) "56 Interesting Facts About the 2016 Election," *The Cook Political Report*, December 16: <http://cookpolitical.com/story/10201>.

¹² Philips (2017) "Move Left, Democrats," *The New York Times*, February 21: <https://www.nytimes.com/2017/02/21/opinion/move-left-democrats.html>

Rather than being an expression of economic distress, Trump's victory is better explained as a rejection of "cosmopolitanism" by white voters and, with it, a rejection of openness to the outside world.¹³ More than 58% of white voters voted for Trump (about the same percentage that supported Mitt Romney). By contrast, 8% of African American and 29% of Latin American voters supported Trump. This illustrates the clear racial divide in US politics but not necessarily a radical shift towards "Trumpism". Political and racial divisions in the US are the political norm. What may be most significant is that so many white Americans were willing to vote for such a manifestly unqualified candidate.

Trump is erratic, dangerously ignorant, apparently delusional and a pathological liar. He has brought into the White House white supremacists and Islamophobes, whose influence has subsequently been apparent. These factors have enormous implications for how the US conducts its affairs and raise questions about the competence of American political leadership for the future.

HOW SHOULD ASEAN RESPOND?

With the end of the TPP and the advent of the Trump administration, the ground is shifting beneath the feet of the ASEAN states. In the short term, there will likely be a tendency among Asian states to wait out the Trump regime and to hope that a future administration will return to status quo policies. However, this hope misunderstands the fundamental dysfunction undermining the US from within. This internal US battles will continue into the future. Large multilateral free trade agreements are opposed by a vocal public across the political spectrum and are not likely to come on the American agenda for the foreseeable future.

Trump's election may herald a new age of demagoguery and uncertainty in US politics. Twice in the 21st century, Americans have elected Presidents who were and are profoundly incompetent: George W. Bush and, so far, Donald Trump. Bush's policies towards Asia were fairly standard American policies, though critics chastised him for largely ignoring Southeast Asia.¹⁴ However, Bush was responsible for the invasion and occupation of Iraq, which had devastating effects on American military credibility and soft power and

¹³ Saunders (2017) "Whitewashed," *The Globe and Mail*, Jan. 20: <http://www.theglobeandmail.com/news/world/us-politics/the-real-reason-donald-trump-got-elected-we-have-a-white-extremism-problem/article32817625/>. Sasson makes similar points; among white voters, the only demographic that Hillary Clinton won was college-educated white women, and that only at 51%. Sasson (2016) "Blame Trump's Victory on College-Educated Whites, Not the Working Class," *The New Republic*, Nov. 15: <https://newrepublic.com/article/138754/blame-trumps-victory-college-educated-whites-not-working-class>.

¹⁴ See Ba (2009) "Systemic Neglect? A Reconsideration of US-Southeast Asia Policy," *Contemporary Southeast Asia*, vol. 31, no. 3: 369-398.

consequences far beyond the Middle East.¹⁵ Bush also attacked multilateral institutions. Some of these attitudes are echoed in the Trump administration. It is not coincidence that both of these presidents are Republican. The Republican Party has fed the most extreme elements of US political culture as part of its electoral strategies.

The end of the TPP is not the end of American economic power in Asia though.¹⁶ American bilateral trading relationships will probably continue, though Trump has promised to renegotiate many American trade agreements, raising the prospect that some of these may be at risk and that the new US administration will expect concessions or apply pressure that might be damaging to other economies.

The expansion of the “noodle bowl” of regional trade agreements will also continue, making regional trade more inefficient than it needs to be. However, the primary purpose of the TPP was to counter Chinese influence by binding the US more tightly to some of its regional allies and to give the US decisive influence over the drafting of new trade rules.¹⁷ These benefits (to the US) have now been lost. Although Trump’s threat of an all-out trade war with China that would cause enormous harm to both is unlikely, it is a threat that ASEAN states cannot ignore.

The Trump administration may want to “confront” China in the South China Sea. If it does so, China will definitely push back, creating the possibility of a Cuban-missile-like confrontation in the SCS.¹⁸ Most regional states rely on a US security presence and want the US to act as a constraint on aggressive Chinese tactics in the Sea. However, the region also needs the US to manage its relations with China in a subtle and restrained way, something that the Trump administration may be incapable of doing.¹⁹

If the US attacks free trade agreements and implements “beggar thy neighbour” policies, more countries will turn to China to offset American influence. This reality will sit uneasily in Southeast Asia, where China’s conduct in the South China Sea has created regional

¹⁵ According to Jean Smith, Bush’s unofficial biographer, the invasion of Iraq was, “easily the worst foreign policy decision ever made by an American President.” See Smith (2016) *Bush*, New York: Simon and Schuster, p. 660.

¹⁶ In specific reference to the ASEAN economies, the US share of total trade with the region has been: 8.1% (2012); 8.2% (2013); 8.4% (2014); and 9.4% (2015). (ASEAN trade with selected partner country/region, www.asean.org.)

¹⁷ Elms (2016) “The Origins and Evolution of the Trans-Pacific Partnership Trade Negotiations,” *Asian Survey*, vol. 56, no. 6: 1017-1039.

¹⁸ Even before he took power, Trump agitated US-China relations by accepting a congratulatory phone call from Taiwan’s President Tsai Ing-Wen, the first time an American President had done so in almost 40 years. Initially, it appeared that Trump intended to use American support for Taiwan as a bargaining chip in his dealings with China. Later, however, he apparently backed away from this position in order to reset American relations with China.

¹⁹ Secretary of Defense James Mattis visited the region to reassure regional allies of the US’ commitment to its security obligations. However, the Trump administration has proposed severe funding cuts to the State Department and US aid programMEs, suggesting it places little value on diplomacy.

anxiety. However, coming to terms with the reality of China is something that ASEAN may no longer avoid.

Other regional powers provide other options. If Japan loses confidence in American reliability, it may emerge as a regional counterweight to China's growing economic dominance, but this would evoke considerable hostility in the Koreas and in China. Over the longer term, India may also play a larger regional role and is developing its security ties with Japan. Australia is closely allied with the US and is also developing its security connections with Japan. Together, these states may act as a counterbalance to China, but the economic relationships between all of these parties complicate the nature of any balancing behaviour.

ASEAN's ability to make an impact on the larger regional stage depends upon its ability to speak with a single voice. So far, ASEAN has been unable to do this in an effective way. In the past, external threats to the region pushed ASEAN to evolve into a stronger, more active organization. There are few larger challenges than a disruptive United States. Will this act as a catalyst to further ASEAN development and cooperation? It is possible, but not likely. The threats of the past that facilitated ASEAN's development fit into the Cold War paradigm. The ASEAN states of the day agreed about enough of the important aspects of the regional security environment to work together and improve ASEAN's institutional bonds.

In the present era, the regional order is uncertain. ASEAN has a much more diverse membership, which has weakened its ability to find common ground. But the larger problems are the complicated relationships that ASEAN states have with each other and the great powers, the overlapping and sometimes contradictory security and economic ties between the states, and the fact that some ASEAN states favour China while most favour some kind of balance against China. If the US pursues policies that exacerbate regional tensions, it will force its Asian allies to re-evaluate their strategic positions. Some will turn to China; some will encourage the other regional powers. External pressures now have as great a chance of fracturing ASEAN or rendering it inert as convincing it to become a more unified organization.

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