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# Is Free Trade in Trouble in Asia ?



President Donald J. Trump departs China , courtesy of The White House Official Flickr Account, photo by Shealah Craighead.

## FEATURED COMMENTARY

## Trump in Asia: Free Trade Under Threat?

By Aédán Mordecai



President Donald Trump and ASEAN Leaders. Courtesy of the Official White House Photo by Shealah Craighead.

'America First' has been the prevailing tagline guiding Trump's trade policy. As he returns from his recent extended tour of Asia, what is the outlook for US-Asia trade?

### Commentary

PRESIDENT TRUMP'S visit to Asia on one of his longest foreign tours to date, as leader of the world's largest economy, went relatively quietly. The five-country visit which began in Japan and ended in the Philippines included some important events such as the Asia-Pacific Economic Cooperation (APEC) Summit in Danang, Vietnam as well as the ASEAN Summit in Manila, Philippines.

Whilst trade issues were high on his lists of priorities, the tour was arguably

dominated by the North Korea and South China Sea situations. Economic observers will have been watching his words carefully, looking for clues as to which way his future trade policy towards Asia might be headed and whether there is reason to worry.

### Trump's Protectionist Tendencies

The worries regarding trade and potential protectionism all stem from last year's presidential campaign in the United States. Trump rode into the presidency thanks in part to a wave of populist anti-globalist sentiment, with trade deficits continually on the agenda. China faced the worst accusations but the overall narrative was that America had made bad deals in the past and this was proven by the

consistent trade deficits that America had with many major economies.

Coming under particular scrutiny were multilateral trade deals. NAFTA was labelled the 'worst trade deal ever made' and the proposed Trans-Pacific Partnership (TPP) was constantly ridiculed, with one of Trump's first official acts in office being the formal withdrawal from the TPP.

Understanding Trump's perception of trade is key to making sense of his priorities. His administration has cultivated an image of a global system that contains clear winners and losers, painting deficits as 'bad' and surpluses as 'good'.

Many economists would disagree with the absolute-

ness of this perspective, especially in the age of production networks that span multiple countries, meaning the fluid movement of components is crucial for many industries. Trump's mercantilist-like views on trade ignore the nuances of trade and mutual benefits, in favour of an alternative zero-sum game reality.

### No Drastic Moves on Trade?

Since his inauguration and the withdrawal from the TPP there have not been any drastic moves regarding trade, but tension still exists. Peter Navarro, who was made head of the White House Office of Trade and Manufacturing Policy, is a notoriously anti-China economist when it comes to trade, and many

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will be wondering how much influence he has over the White House's policies.

The WTO has also been targeted by the Trump administration by blocking the appointment of judges needed for the organisation's much admired Dispute Settlement Body as well as failing to nominate a permanent representative to the WTO. Trump has consistently been disparaging of the multilateral institution, insisting the US loses 'almost of the lawsuits', despite the reality being entirely different.

Meanwhile, in April a comprehensive review of all trade relations was ordered by the White House, country by country and product by product. All the signs seem to suggest protectionist moves will follow, and will be applied bilaterally, bypassing the multilateral system.

Though the trip to Asia did not produce any shocks in terms of trade, as the president's tweets aimed at the Kim Jong Un regime somewhat overshadowed the tour, he largely stuck to his script. However, there were indications of Trump's 'America First' trade policy. While in Japan, Trump declared that trade between

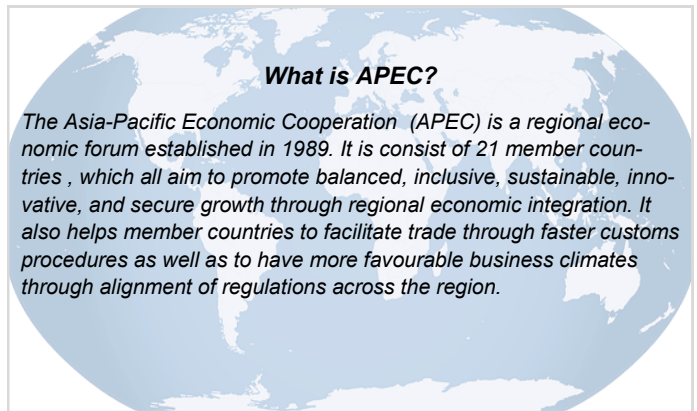
the two countries 'was not fair and isn't open', suggesting Japan should manufacture more of its cars in the US, seemingly oblivious to the fact that the majority of Japanese branded cars sold in the US are also produced there.

In China he described the current trade relationship as very 'one sided' but used this point to attack the previous administration's weakness and exonerating China of any blame stating, 'Who can blame a country for taking advantage of another country for the benefit of its citizens?'

Then came the APEC Summit in Da Nang, which gave a platform for Trump to state he was pursuing 'fair trade', a similar message that had been communicated at G20 earlier this year. The emphasis on 'fair trade' as opposed to 'free trade' is pertinent as the US administration tries to change the narrative making room for protectionist based policies in the future.

#### Should Asia Be Worried?

If protectionist measures are taken by the US, it is important to consider what shape they will take and the process. Constitutionally, Congress has to approve



#### What is APEC?

The Asia-Pacific Economic Cooperation (APEC) is a regional economic forum established in 1989. It consists of 21 member countries, which all aim to promote balanced, inclusive, sustainable, innovative, and secure growth through regional economic integration. It also helps member countries to facilitate trade through faster customs procedures as well as to have more favourable business climates through alignment of regulations across the region.

imposing a tariff on products from another country, and given Trump's inability to work successfully with Congress and the pro-free trade nature of the Republican Party, this seems unlikely.

He has other options, however, which can be carried out unilaterally, through rarely-used legislation or creative taxes indirectly targeting imports. The most likely target in the near future would be steel coming from China, as it could be carried out via executive orders. This is despite the fact that imports of Chinese steel have already been significantly reduced, thanks to previous anti-dumping measures.

Predictability has not been a hallmark of the Trump administration so it is difficult to know what exactly the future holds. However it would be overly optimistic to think that Trump would last the rest of his term without making a move on trade, as it would be hugely popular with his base.

George W. Bush set a precedent here by putting tariffs up to 30 percent on all steel imports in 2002, to placate the 'rust belt' states despite international protests. Playing to Trump's base, particularly during moments of heavy pressure, is probably the most predictable trait of

his presidency so far.

Considering he has created a narrative that deficits equate to a bad trade relationship, he will be judged by this measure and will come under increasing pressure if the trade numbers, particularly with many Asian economies, do not significantly swing the other way.

The tour of Asia seemed to be setting the scene for a different approach to trade and preemptively justifying protectionist measures. The worry for Asia, and especially ASEAN, is if this will lead to a chain reaction of protectionism, or will remain an isolated incident. ■

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Australian Prime Minister, Malcolm Turnbull takes a selfie with fellow Asia Pacific Leaders as part of APEC, Photo courtesy of the US Embassy Canberra

## From Commitment to Compliance: ASEAN's Human Rights Regression?

On 12 October, the Centre for Multilateralism Studies (CMS) hosted Professor Alan Collins from Swansea University, United Kingdom as he gave a seminar on 'From commitment to compliance: ASEAN's human rights

regression?', as part of the RSIS Seminar Series on Multilateralism Studies. Prof Collins has published extensively on ASEAN and the role of civil society in the region as well as the security community in Southeast Asia.

Prof Collins explained the Spiral Model and how ASEAN fits into it. The Spiral Model is a theoretical model in political science that attempts to explain the steps a nation-state goes through to change their norms regarding human rights and eventually becoming compliant with international standards. Prof Collins argues that majority of ASEAN nations and ASEAN as a whole, are displaying a commitment to human rights to international observers and the international community as a whole, but there are many obstacles for ASEAN to begin actively and effectively complying with international human rights standards.

Prof Collins' research focused on identifying the obstacles that exist in ASEAN's pursuit of successfully becoming compliant with legal human rights standards. The regression of democracy in the region has also arguably led to a regression in the level of human rights in the region. According to Prof Collins' research study, ASEAN's movement cannot be described as being in a single direction of improvement. As a result, ASEAN nations have many issues to address in order to one day comply with international standards. ■



*Prof Alan Collins discussing ASEAN human rights regression at The Keypoint, RSIS.*

## Stepping Up: How Smaller Economies Can Help to Keep Multilateralism Alive

As part of the RSIS Seminar Series on Multilateralism Studies, Mr Evan Rogerson, gave a seminar on 'Stepping up: How Smaller Economies Can Help to Keep Multilateralism Alive' on 16 October 2017, detailing his thoughts on the current situation of the multilateral trading system and suggestions for the continued relevance of the system.

Mr Evan Rogerson is a former member of the World Trade Organisation (WTO) secretariat up to March 2017, holding various senior positions over the span of 20 years. Most recently he was the Director of the Agriculture and Commodities Division at the WTO. These many years of experience gives him a key insight into the processes of the multilat-

eral rules making progress.

Mr Rogerson emphasised that the current climate for multilateral institutions is particularly perilous, with many movements across the Western world moving away from that system, highlighted by the appointment of Trump as President of the United States and the decision to leave the EU by the British electorate. By referring to his many years working within the World Trade Organisation, Mr Rogerson believes smaller and medium sized nations are key to keeping the momentum going for global institutions as larger powers begin to reject the responsibility that comes from leading.

If smaller economies combined efficiently to maxim-



*Mr Evan Rogerson explaining the multilateral trading system.*

ise their potential influence, there is still hope. Mr Rogerson points to the Asia-Pacific region as an example of positive progression in this area, with many of the smaller economies working together to keep Trans-Pacific Partnership (TPP) alive after the US left.

Mr Rogerson emphasised that small economies cannot do it alone however. They can continue to push multilateral and plurilateral attempts at dialogue and negotiations, maintaining their commitment for when the bigger powers become more reliable partners once more. ■



## Pursuing Inclusive Trade in the Multilateral Trading System



*Participants of the “11th WTO Ministerial Conference (MC11) for Senior Trade Officials from the Asia-Pacific Region”*

“The Preparatory Workshop for the 11th WTO Ministerial Conference (MC11) for Senior Trade Officials from the Asia Pacific Region” was held in Singapore on 5 and 6 October. The workshop was organised by the Centre for Multilateralism Studies (CMS) from the S. Rajaratnam School of International Studies (RSIS), Ministry of Trade and Industry (MTI), Singapore Cooperation Programme, and WTO.

The discussions covered the issues related to the multilateral trading system with emphasis on how trade will become inclusive for WTO members. According to Evan Rogerson, Distinguished Visiting Fellow of RSIS and former Director of Agriculture and Commodities Division at WTO, it is essential to reinforce the trading system by means of having concrete actions in strengthening the disciplines on fisheries subsidies, including the prohibition of certain subsidies that could lead to overcapacity and

overfishing. Moreover, Rogerson also argued that it is WTO’s obligation to increase its relevance, especially on how the multilateral trading system could contribute significantly to creating jobs.

Underscoring the importance of the multilateral trading system, Peter Govindasamy, Director of International Trade Cluster at Ministry of Trade and Industry (MTI) in Singapore, said that there is no

alternative to the WTO because presently it serves as an enabler to reduce trade tariffs and also a stabilising force to settle trade disputes. He also added there is no room to be complacent on trade issues such as non-tariff barriers and implications of climate change in WTO’s policy measures. Govindasamy explained that carbon taxes and renewable energy subsidies could create complications in the multilateral trading system.

Meanwhile, Dr Kaewkamol Pitakdumrongkit, Assistant

Professor and Deputy Head of Centre for Multilateralism Studies (CMS) at RSIS, explained that global trade is facing challenges to address the digital divide between developing and developed countries. She said that it is an issue that needs to work so most countries could effectively engage in digital trade. Dr Pitakdumrongkit also asserted that it is important to further strengthen the transparency and rules that govern the trade system.

The participation of micro, small and medium-sized enterprises (MSMEs) in international trade must be improved, said Emmanuelle Ganne of Economic Research and Statistics Division at WTO Secretariat. She said that MSMEs’ participation in the international trade is impeded by lack of knowledge about international markets, limited digital connectivity among developing economies, and high trade-related costs (e.g. logistics and transportation). However, the said hurdles

could be addressed if there are more efforts in reducing trade costs and increasing transparency.

MSMEs’ participation in international trade must be strengthened, especially when considering that these enterprises play an important role in the global economy. MSMEs represent 95 percent of companies globally and 60 to 70 percent of global GDP. Interestingly, there are some steps to be undertaken to strengthen MSMEs’ foothold in international trade. For example, there is a Work Programme being developed this year for the coming Ministerial Conference, which focuses on improving the MSMEs’ trade participation. Within the programme, there are ideas to improve MSMEs’ participation in e-trading activities and their access to finance. ■

## Building a Culture Compliance towards a Stronger Rules-Based ASEAN

On 1-2 November, the “Consultation on a Rules-Based ASEAN: Legal Instruments and their Implementation” was held at Grand Copthorne Waterfront Hotel in Singapore. It was organised by Centre for Multilateralism Studies (CMS) of S. Rajaratnam School of International Studies (RSIS), together with USAID, German Cooperation, GIZ, and the ASEAN Secretariat.

Several experts, including those from academia and international organisa-

tions, collaborated together to share their views on how to strengthen a rules-based ASEAN. RSIS Executive Deputy Chairman Ambassador Ong Keng Yong explained that a rules-based approach must be supported by ASEAN member states because it helps to organise our behaviour and allows us for greater coordination in identifying the dos and don'ts. Meanwhile, ASEAN Deputy Secretary-General AKP Mochtan explained that

the real challenge of a rules-based ASEAN is how to ensure the compliance of the member states in implementing the legal instruments.

Interestingly, it is impressive to note that ASEAN Secretariat is currently working to develop a practical reporting system on the implementation of ASEAN instruments. The proposed reporting system covers the legal instruments and tasks assigned desk officers to monitor the implementation of the

instruments, ASEAN-US Technical Consultant Faith Delos Reyes said. However, the challenge still remains on how to promote a culture of compliance among ASEAN member states.

According to Delos Reyes, there is a need for socialising the rules-based principles by means of the diffusion of rules that would take place in academic institutions, judiciary, and civil society. RSIS Professor and CMS Head Ralf Emmers further explained that academic institutions must be involved in the diffusion of the principles and rules, and lawyers should contribute by helping to interpret the ASEAN rules and norms. Further diversifying the discussion, RSIS Associate Professor Alan Chong recommended setting up an ASEAN Permanent Committee (APC) on AEC rules to monitor the implementation of a rules-based ASEAN Community is a good place to begin the culture and practice of making and complying with rules. ■



Professor Ralf Emmers, CMS, presenting at the ‘Consultation on a Rules-Based ASEAN: Legal Instruments and their Implementation’.

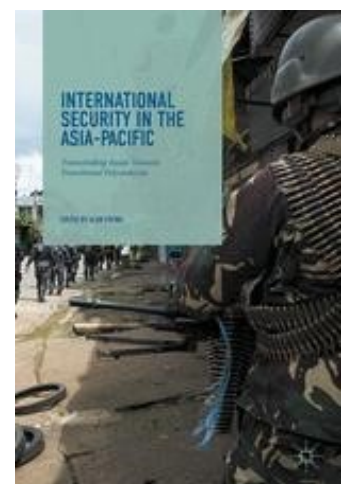
## International Security in the Asia-Pacific: Alan Chong

On 8 November 2017, RSIS organised a book launch seminar on “International Security in the Asia-Pacific: Transcending ASEAN towards Transitional Polycentrism” at the Institute on Asian Consumer Insight (ACI), Nanyang Technological University (NTU). The book was edited by Associate Professor Alan Chong of Centre for Multilateral Studies, RSIS.

The book provides a comprehensive discussion about international security of the Asia-Pacific, which ranges approximately from the end of the global Cold War up to current issues of the twenty-first century. The chapters of the book are contributed by ‘academic-cum-practitioners’ whose expertise revolve around several aspects of security in the region such as

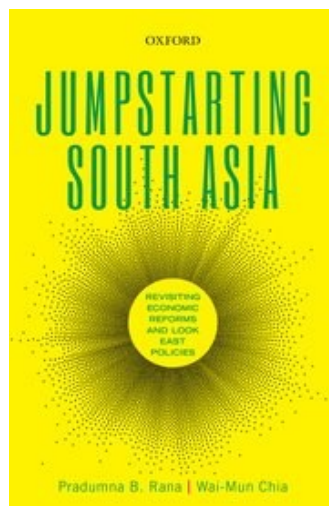
ASEAN Centrality, human security threats, defence diplomacy, international security, and security co-operation.

Topics discussed in the book are policy-relevant because the idea behind this edited volume was developed from a two-day seminar co-organised by the Goh Keng Swee Command and Staff College in Singapore, with SAF-NTU and RSIS. ■





## Jumpstarting South Asia: Pradumna B. Rana and Wai-Mun Chia



Pradumna Rana, Associate Professor of RSIS, and Wai-Mun Chia, Associate Professor at the School of Humanities and Social Sciences of NTU, recently authored

“Jumpstarting South Asia: Revisiting Economic Reforms and Look East Policies.”, a book looking at how to boost the South Asian economies which have such great potential .

The book discusses that economic reforms implemented by the South Asian countries in the 1980s and 1990s had positive impacts on growth, and the region's share of world GDP had started to increase. But, more recently, economic growth in South Asia has softened somewhat due to a number of reasons.

The book also focuses on the slowing pace of eco-

nomics reforms and makes the case for a two-pronged strategy to jumpstart South Asian economies. First, South Asian countries should complete the economic reform process that they had begun and implement the more microeconomic reforms, namely, the sectoral, and governance and institutional reforms to enhance competition and improve the operation of markets. Second, they should implement the second round of 'Look East' policies or LEP2 to (i) link themselves to production networks in East Asia, their fastest growing markets, and (ii) develop production networks in manufacturing

and services within their region.

The book argues that the proposed strategy will lead to a win-win situation for all countries in South Asia and East Asia, and will also reinvigorate economic integration within South Asia, which is one of the least integrated regions of the world. It also identifies the unfinished policy reform agenda for each South Asian country and the components of the LEP2 that they should implement. ■

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**Multilateral Matters** is the quarterly publication of the Centre for Multilateralism Studies (CMS), analysing the most recent developments regarding multilateralism by our team. It covers articles on relevant economic and political issues as well as programmes and latest publications from the research centre. The objective of the newsletter is to promote the research being done by our centre, raising awareness of the many events that we hold on a regular basis.

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