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Globalisation marches on without Trump

New wave of trade talks threatens to leave US isolated

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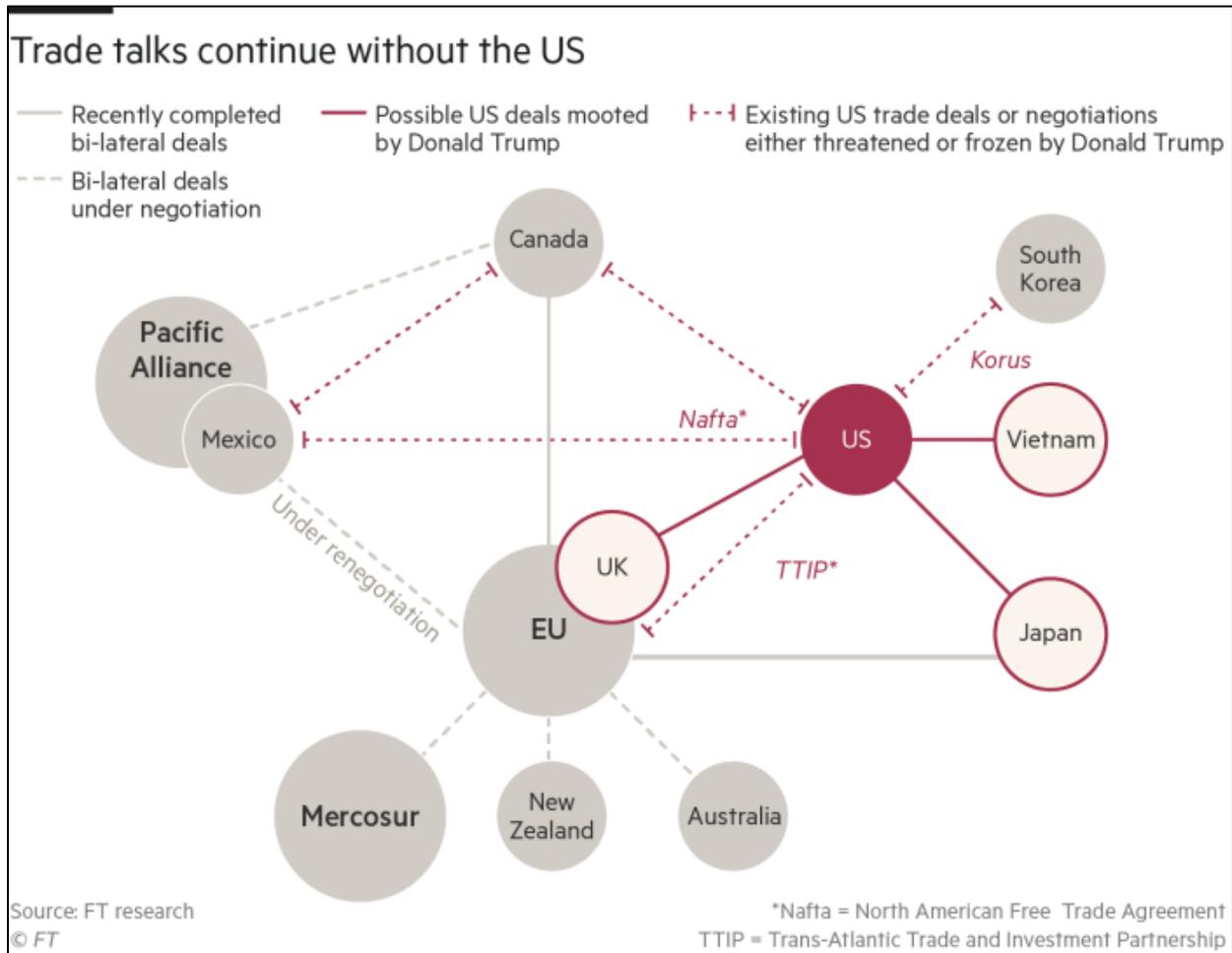
When Donald Trump lays out his long-awaited vision for a new US strategy to engage with Asia later this week he will be doing so in a place replete with lessons about American misadventures.

Da Nang, host to this year's Asia Pacific Economic Cooperation summit, today serves as a beach playground complete with the sort of \$700 per night tropical resorts and lush palm-lined golf courses that Mr Trump might prize for his own property empire. But in March 1965 it was where 3,500 marines became the first regular US combat troops to land on Vietnamese soil, entering a conflict that a decade later would end with an ignominious retreat for a defeated and divided America.

Nowadays, the war in Asia that often consumes Mr Trump's White House is an economic one. The strategy he will unveil in Da Nang on Friday hinges on developing stronger bilateral trade and investment ties with like-minded regional allies such as India and Japan. Behind it, much like his predecessor's "pivot to Asia", lies a desire to find a

hard-nosed way to respond to a rising China. Many of Mr Trump’s top advisers view Beijing as a predatory economic rival that has, for too long, gamed an international system ill-equipped to cope with its brand of state-subsidised mercantilism.

“We have trade deficits with China that are through the roof,” Mr Trump told reporters last week, “they’re so big and so bad that it’s embarrassing saying what the number is.” The number the US president was too embarrassed to say is \$274bn — the size of the trade deficit with China in goods for the first nine months of 2017.



The problem for Mr Trump is that even as he tries to embrace allies in what his White House has taken to calling the “Indo-Pacific”, in pursuit of bilateral trade deals he has declared to be his preference, the US is already being written out of the script.

From Asia to Europe and Latin America other countries are striking trade deals and launching negotiations at an accelerating pace. Japan, Canada, Mexico and eight other

countries that remained in the Trans-Pacific Partnership after Mr Trump pulled the US out of the trade pact are expected to announce at Apec that they will be moving ahead with the deal.

A few days later in the Philippines the leaders of 16 countries — including China, India, Japan and South Korea — are expected to declare progress towards a deal that, if successful, would see tariffs fall across a quarter of the global economy. The vehicle for that is the Beijing-led Regional Comprehensive Economic Partnership, once mocked by US officials as a clumsy effort to catch up with Washington’s own plans to write rules for the region.

The multilateral trading system and the activity around it is fast and furious. What is new is that the US has taken itself out of the conversations. Robert Holleyman, former deputy US trade representative

Even though he bills himself as the master of the deal, Mr Trump is expected to leave Asia, a region that carries the future hopes of many US companies, without delivering any substantial new trade initiatives. Japan continues to resist US approaches to begin bilateral talks. Other TPP members with whom Washington is eager to strike bilateral pacts, such as Vietnam, seem equally unenthusiastic.“

It is not the right time to start new ambitious trade negotiations [with the US],” Lee Hsien Loong, prime minister of TPP member Singapore, said during a recent visit to Washington. “I think [the Trump administration] believe that, bilaterally, you are bigger than any other partner that comes along and so you get a better deal. As a result of which I think not that many partners will be keen to deal with you bilaterally.”



It is not just an Asian phenomenon. The UK, once enthusiastic to close a post-Brexit deal with Mr Trump, has begun showing signs of scaling back its expectations. EU officials dismiss any thought of resuming work on the Transatlantic Trade and Investment Partnership that was once the block’s most ambitious trade project. They point to Mr Trump’s unpopularity in Europe as a major hurdle for a deal already drawing widespread opposition across the continent.

Instead, the EU is now focused on closing deals with other major economies such as Japan and trade blocs like South America’s Mercosur and launching new negotiations with Australia and New Zealand. It is also strengthening ties in the US backyard: having closed a trade agreement with Canada it is now renegotiating and updating one with Mexico as well.

“It’s the overall message this Trump dilemma presents,” says Rufus Yerxa, a former senior US official who heads the National Foreign Trade Council, a business lobby in

Washington. “Everyone else is going forward with trade integration while the US is trying to slow it down.”

The reluctance to engage the US lies at least partly in the bellicose approach adopted by Mr Trump and his aides and their “America First” brand of economic nationalism. A renegotiation of the 23-year-old North American Free Trade Agreement with Canada and Mexico that was launched in August has already degenerated into a bitter stand-off over US proposals. Mr Trump’s team is also facing opposition from both the business community and his own party in Congress, which are alarmed at his threats to withdraw from the pact altogether.

The president has also ordered up a **renegotiation of a trade pact with South Korea** even as he works with Seoul to tackle nuclear-armed North Korea.

And in what looks like a deliberate act of sabotage, US officials are blocking the filling of vacancies on the World Trade Organisation’s seven-member appellate body in a move that some fear could cripple the dispute settlement system, which for the past two decades has been a major factor in preventing trade wars.

Officials in Washington insist they are simply asserting US interests and seeking to reform trade agreements and a system that has contributed to the loss of too many manufacturing jobs. What looks like bellicosity to some is simply the work of a tough negotiator willing to set aside diplomatic pleasantries to secure results, they contend.

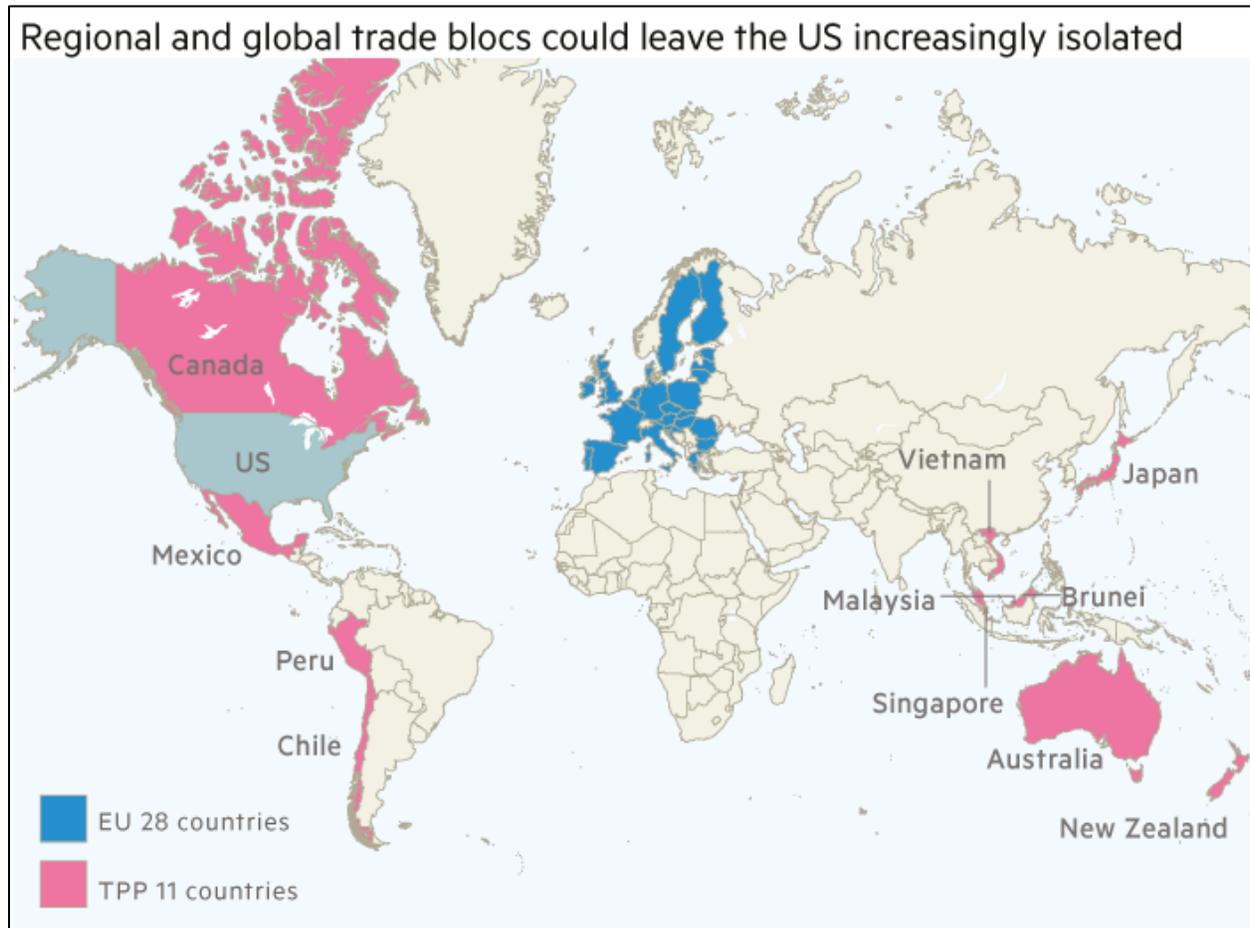
“No matter where we do trade, we have bad trade deals,” Mr Trump said last week. “We’re renegotiating those deals, as I said I would during the campaign. And that’s going to be a big factor in our growth.”

The White House is promising fresh action against China. People within the administration describe Beijing as reluctant to engage on important bilateral trade issues and accuse it of being sluggish in its adoption of the sort of reforms needed to become a full market economy. US officials say they were disappointed by Beijing’s failure to deliver on some of the commitments made following April’s US summit between Mr Trump and Xi Jinping, his Chinese counterpart, and are now in the mood to get tougher.

The administration has already launched a probe into China’s intellectual property practices and is also looking at US imports of aluminium and steel. At the same time US officials bristle at the way Mr Xi has sought, since Mr Trump’s election, to position himself as the defender of open trade and a once US-led international order.

“The current trajectory [in China] is not sustainable not just for the United States but also for countries in [Asia],” says a senior administration official. “What we are seeing [in Beijing] is a trajectory of retrenchment, a trajectory of moving away from market-based principles. And as a member of the WTO that is not a sustainable direction. It is not a way

to promote economic growth in the region. It is not a way for American and other companies to ensure access to the [Chinese] market.”



The White House says Mr Trump will use his Apec speech to promote a “free and open” Indo-Pacific region built around alliances and a reaffirmation of “US leadership” in the region.

The plan remains vague but senior administration officials say it will involve pushing traditional US trade interests and building alliances to help US and other foreign companies gain greater access to the Chinese market. They also hint at allying with Japan to pursue “high standard” infrastructure projects across Asia in a thinly-veiled barb at Mr Xi’s pet “Belt and Road” initiative to resurrect the Silk Road trade route between Asia and Europe.

Critics point out that much of what the Trump administration is pursuing was included in the TPP, which President Barack Obama made the economic backbone of his pivot to

Asia — one of his administration’s main strategic projects. **The TPP was above all aimed at pre-empting China and establishing what might eventually become global trading rules to cover everything from data flows to the behaviour of state-owned enterprises.**

But Mr Trump and his aides have continued to pour scorn on the pact. The final TPP deal, they argue, was too watered down because of the dozen countries involved. For that reason, they contend, bilateral deals hold more promise. That has provided little solace for US business and farmers who are watching rivals from places like Australia reap the rewards of the reduced tariffs that their own trade deals, with countries like Japan, have secured and that the US might have won via TPP.



As importantly, the EU and others are using their new trade agreements to deal with 21st century issues like digital trade and to spread their own industrial and regulatory standards. In the case of the EU, that means trying to export European views of online privacy as well as the hard-fought protections for regional trademarks like champagne and feta cheese that the US has long tried to contain.

By focusing on bilateral agreements, critics say, Washington is limiting its ability to influence those rules. The issue is particularly acute for the country’s tech companies, which were counting on US trade negotiations to enshrine core principles such as the free flow of data across borders, argues Robert Holleyman, a deputy US trade representative under President Barack Obama.

So while the Trump administration has focused on ripping up existing trade agreements, largely to try and address a US trade deficit in manufactured goods, the rest of the world is moving on and tackling rules that are likely to define commerce for decades to come.



*US farmers are watching rivals reap the rewards of the reduced tariffs
that the US might have won via TPP*

“The implications for US business and agriculture are really, really serious,” says Mr Yerxa, who helped negotiate Nafta and spent a decade as deputy director-general of the WTO. “It’s not easy to get back the momentum for improving trade if you have been going around throwing monkey wrenches into the system.

”That does not mean it is plain sailing for non-US economies trying to negotiate trade agreements. An EU-Japan deal, agreed earlier this year in principle, is facing resistance. The EU’s talks with Mercosur are threatened by some European farmers. In Asia, the “TPP 11”, as the pact has come to be known since the US withdrew, has faced last-minute challenges due to a new left-of-centre government in New Zealand expressing reservations. The China-led RCEP is also facing questions about how willing India is to lower tariff barriers.

But behind it all is what some see as a rapidly emerging and increasingly inescapable truth. **Globalisation has not died with the ascent of Donald Trump. If anything, for now, other countries are finding ways to accelerate the process.**

“The multilateral trading system and the activity around it is fast and furious. And it has not slowed down a bit,” says Mr Holleyman. **“What is new is that the US has taken itself out of the conversations.”**