



US ELECTION REGIONAL IMPLICATIONS ASIA: STILL THE FULCRUM OF GEOPOLITICS

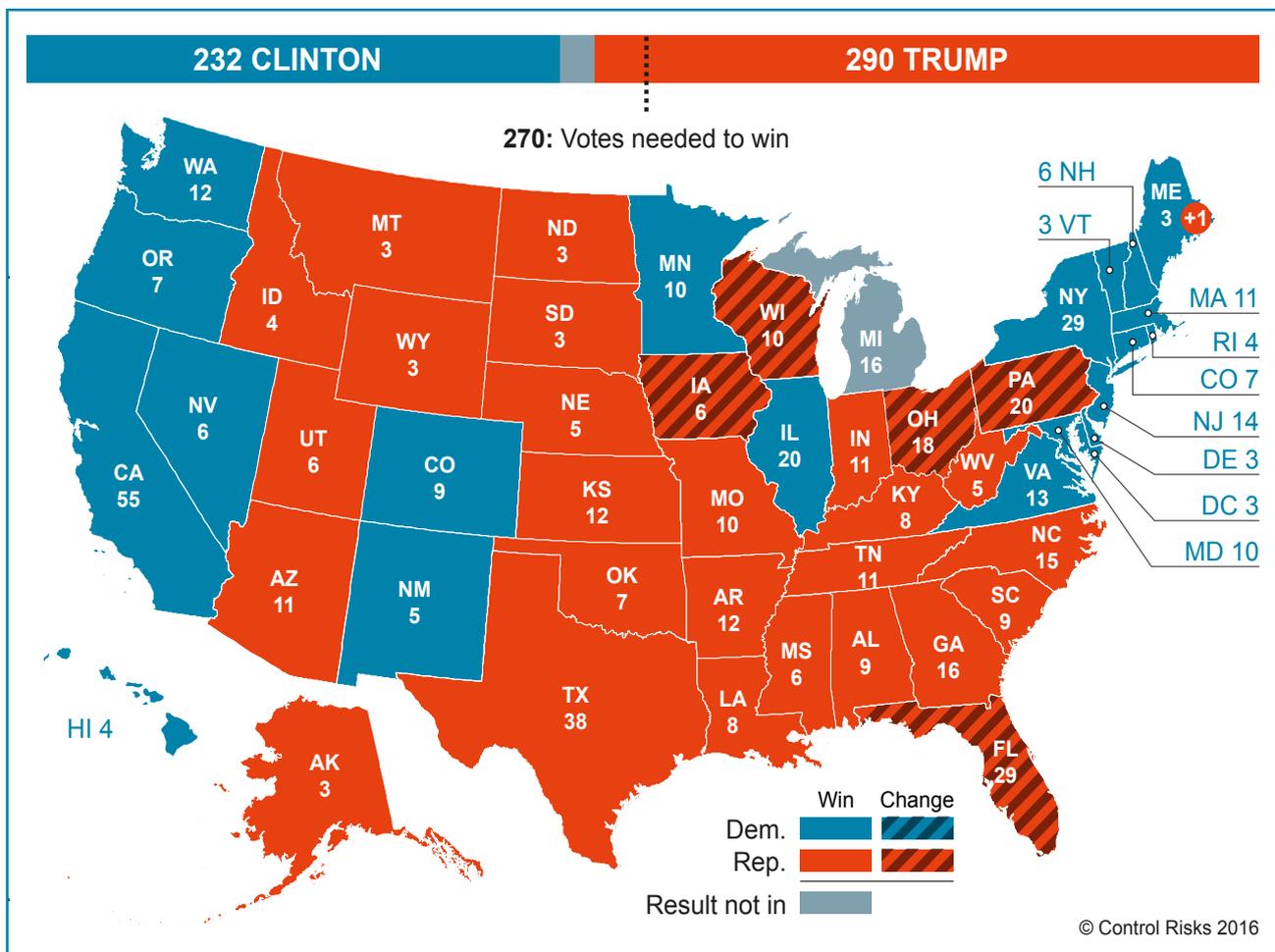
US ELECTION REGIONAL IMPLICATIONS

Republican candidate Donald Trump was elected as the next US president on 9 November, defeating the Democrats' Hillary Clinton. Due in part to Trump's strong showing, Republicans also retained a slim majority in the Senate (upper house) and a strong majority in the House of Representatives (lower house).

Narrow margins separated the two candidates in many states, as well as in the nationwide vote (separated by around 600,000 votes – 0.4% – out of more than 120m cast), underscoring the polarisation of the electorate. Both candidates, as well as outgoing President Barack Obama, issued pleas for national unity and a smooth political transition in the wake of a lengthy and often divisive campaign.

Unlike Clinton, Trump did not comprehensively outline his domestic and foreign policies. As a result, there is considerable uncertainty about which policies he will pursue in office, and how aggressively he will do so. In this report, we explore how the incoming administration is likely to approach and influence regional politics.

US Presidential elections results



ASIA:

STILL THE FULCRUM OF GEOPOLITICS

On Asia, as with many other topics, Trump's campaign rhetoric tackled taboo subjects and hinted at major departures from fundamental policies and principles. The region now waits nervously to find out where and to what degree that rhetoric becomes policy.

The administration could err toward a pragmatic interpretation of its themes in Asia. On both trade and security, there are plenty of symbolic but limited steps that would stop far short of the geopolitical game-changers suggested by some of the campaign comments. Certainly, Trump will hardly be the first president to take office having talked of dramatic action in Asia: as Ralph Cossa of the Center for Strategic and International Studies (CSIS) recently noted, 'Reagan was going to recognise Taiwan, and Carter was going to withdraw US troops from the Korean Peninsula'.

Control Risks is not rushing to raise regional political and security risk ratings as a result of the election, but we recognise that Trump's victory injects considerable uncertainty into some of the most important economic, security and diplomatic relationships on the planet.

ROCKY ROAD AHEAD FOR TRADE

Trump's signature trade policy – threatening unilateral tariffs to extract more favourable terms of trade and strengthen US manufacturing – squarely targets China. His 'Rust Belt' constituency will demand prompt action on trade, and existing executive and legislative authorities make the threat of unilateral tariffs plausible, though Trump has said he will pursue trade legislation. Trump also vowed to label China a 'currency manipulator' on his first day in office. A trade confrontation would be likely to invite Chinese retaliation against US exports, with US companies in China potentially caught in the crossfire. Negotiations over the US-China Bilateral Investment Treaty (BIT) would stall, amid broader fallout for bilateral relations.

The administration is also likely to review trade deals with other Asian countries. Recent bilateral trade agreements with South Korea and Singapore – two of Washington's staunchest regional allies – are vulnerable to re-negotiation. Prospects for Obama's landmark Trans-Pacific Partnership (TPP), already dim, are fading fast; in any event, Trump has stated that he would withdraw from the trade pact immediately on entering office. Therefore, ASEAN signatories can no longer count on enhanced US market access and significant political capital invested in the deal – particularly in Malaysia and Vietnam – could be squandered.

ALLIANCES STILL SACROSANCT?

Trump has also signalled that he may re-evaluate US regional alliances, causing palpable angst in Tokyo and Seoul. More broadly, his putative isolationism could play out as withdrawal from regional territorial disputes in the East and South China Seas, where the US has sought to uphold the international legal principle of freedom of navigation. This would encourage the trend of US allies – such as Philippines and Malaysia – balancing US uncertainty with warmer China relations, including by downgrading maritime disputes. Even Vietnam, the one state willing to entertain brinkmanship with China over South China Sea claims, will pursue accommodation if nascent US ties wither on the vine.

On top of the failure of the TPP, these factors would go a long way toward reversing the Obama administration's strategic 'pivot' to Asia. (Conversely, the incoming administration appears keen to further strengthen ties with India – a rare point of bipartisan consensus in Washington.)

As tempting as a US retreat from Asia sounds, Chinese leaders are also unsettled by the potential change of script in Washington. A more transactional security relationship with Japan and South Korea – even simply reviewing military and financial commitments – would necessarily impact their domestic defence debates. Of particular concern to Beijing and the regional balance of power, this might encourage them to 'self-insure' by developing new defence capabilities, including nuclear weapons. The long-term consequences of perceived strategic vulnerability in north-east Asia are hard to foresee, but potentially profound. Hillary Clinton was far from popular in Chinese foreign policy circles, but the present unpredictability of a Trump administration is even less welcome.

Such concerns also apply to the incoming administration's approach to North Korea, which is rapidly developing its nuclear weapon and ballistic missile capabilities. The administration's ultimate posture toward Pyongyang is unknown, but – based on campaign statements – potentially more confrontational than Obama's 'strategic patience'.

Until senior administration officials and national security advisers are in position, it is impossible to say how close US security policy will hew to campaign pledges. The confines of the office, Congressional prerogatives and Republican party politics will

all weigh against a free hand in critical trade and security relationships. While there is a new element of uncertainty, it is unlikely that the new administration would or could take steps to rapidly and radically dismantle regional security relationships.

TRUMP L'OEIL

Beyond China, Japan and South Korea, Asia did not feature strongly during the presidential campaign and is unlikely to be a major early focus of the Trump administration. Nonetheless, US policy shifts will reverberate across the region, shaped by national context:

[Indonesia](#) is less reliant on US military and trade relations than most of its neighbours. (It is nowhere near ratifying the TPP, for example, despite official pronouncements.) In the context of a more isolationist US foreign policy, this seems unlikely to change, particularly if further anti-Muslim rhetoric damages Indonesian perceptions of the US.

Given his flamboyant political style, [Philippines](#) President Rodrigo Duterte is ripe for confrontation with the incoming administration, which may forebear less in the face of hostile rhetoric than Obama. Furthermore, Trump's proposal to reverse offshoring could hit Philippine's lucrative business process outsourcing (BPO) sector, which employs more than a million people and generated USD 22bn in 2015. There are also concerns that tighter immigration restrictions could damage vital remittance flows from the US, which amount to about 5% of GDP.

Prime Minister Najib Razak of [Malaysia](#) is poised for rejection at the altar of the TPP, after investing a substantial amount of political capital. This would weaken his credibility within the ruling UMNO party, creating yet another opportunity for detractors to challenge his leadership. Meanwhile, Najib will rely on conservative Malay Muslim voters ahead of 2018 elections, potentially drawing US scrutiny of counter-terrorism partnership.

[Thailand](#) is likely to come in for less criticism on human rights and democracy grounds, if only out of benign US neglect. However, less certain US security commitments could push the junta closer to China.

The administration is likely to intensify [Australia's](#) geopolitical dilemma between the US and China. If the US indeed pivots away from Asia, Canberra will feel increased pressure to ensure stable relations with Beijing as a geopolitical inevitability.

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