

# Deal-makers and Spoilers: Trump and Regime Security in Southeast Asia

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The early days of the Trump administration have shown him to be what he appeared to be during the campaign and in his earlier career: narcissistic, capricious and willing to play to the anxieties and prejudices of the crowd. Although his administration remains far from fully formed — as of mid-February 2017, Trump had nominated just 34 officials for 549 positions, and only 14 of his cabinet nominees had been confirmed — its basic contours are clear enough. He has chosen a cabinet and advisory team that includes people who advocate greater protections and freedoms for US businesses, who have expressed extreme anti-Muslim and socially conservative attitudes and who deny that humans are responsible for climate change. The administration has taken bellicose positions against key trading partners, including Mexico and China, and threatened further escalation of trade confrontation and retaliation against US firms that do not respond to the call to put “America First”. Trump has already withdrawn the United States from the Trans-Pacific Partnership (TPP), the multilateral trade agreement that had formed the main economic plank of the Obama administration’s “pivot” to Asia.

Added to these damaging policy positions, there is the promise of an unconventional and confrontational approach to policy-making.

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In the words of one observer, the White House team looks “less like a professional political operation than a mediaeval court with various barons and a crown prince and princess”.<sup>1</sup> While the personal whims of the President capture attention, his presidency is a reflection of a more deep-seated crisis in the United States, where there has been a break-down in the social foundations that underpinned US leadership of a liberalizing and (more or less) rules-based world order.<sup>2</sup> Trump’s election “reflects a crisis of the US state, with the erosion of the legitimacy of political elites, representative institutions and the globalist orientation that has long dominated US politics. This crisis may have significant consequences for the so-called ‘rules-based’ world order.”<sup>3</sup> When Singapore’s Prime Minister Lee Hsien Loong noted that the American public had elected the president whom they felt best represented them, he may have unintentionally captured the foundational rupture in the United States that Trump represents.<sup>4</sup>

For Southeast Asia’s ruling elites, the Trump presidency is dual-edged. The region’s leaders may have felt they had little choice but to express an interest in working constructively with the new administration, but for some there are reasons to believe that the warmth accorded to the new president was not entirely feigned. Malaysian Prime Minister Najib Razak proudly displayed Trump’s commendation of him as his “favourite Prime Minister”,<sup>5</sup> while Philippine President Rodrigo Duterte has expressed admiration for Trump, in terms that echoed his own crass performances.<sup>6</sup>

In a region where ruling elites and their supporters have prospered under the order established by the United States during the Cold War,<sup>7</sup> it is perhaps surprising that greater alarm has not been made publicly known now that America seems intent on undoing that order. An increase in US unilateralism appears as one of the few near-certainties of the Trump administration.<sup>8</sup> Although many Southeast Asians have every reason to view the new US government with great trepidation,<sup>9</sup> the region’s ruling elites also have reason to view Trump as relatively benign with respect to the effect of his administration on their own ability to remain in power. The regime security of governments in Southeast Asia is likely to be bolstered in the short term by Trump, while the more damaging effects of his policies appear distant.

The political comfort that a Trump presidency offers to many of Southeast Asia’s political leaders can be traced to the certainty that US scrutiny and criticism of their performance on human rights, respect for democratic freedoms and the rule of law are likely to



be negligible under Trump.<sup>10</sup> This is a region where several leaders are implicated in scandals alleging gross corruption (Malaysia), a programme of extra-judicial state-sanctioned killing (Philippines) and rule by either a military junta (Thailand) or various shades of authoritarian government. Even in the region's most democratic country, Indonesia, the ruling elite is complicit in fomenting violence and intolerance targeting minorities and advocates of civil and religious freedoms. Across almost every country in the region, 2016 was marked by significant repressive crackdowns against dissent.<sup>11</sup> The absence of any US criticism of these human rights abuses will be welcome. In cases where America wields direct influence on matters of deep personal interest to ruling politicians — most obviously the US Justice Department's decision under Obama to investigate transactions involving the scandal-hit Malaysian state investment firm 1MDB — the hope for the Malaysian premier and his allies must be that the Trump administration will prove less zealous.<sup>12</sup>

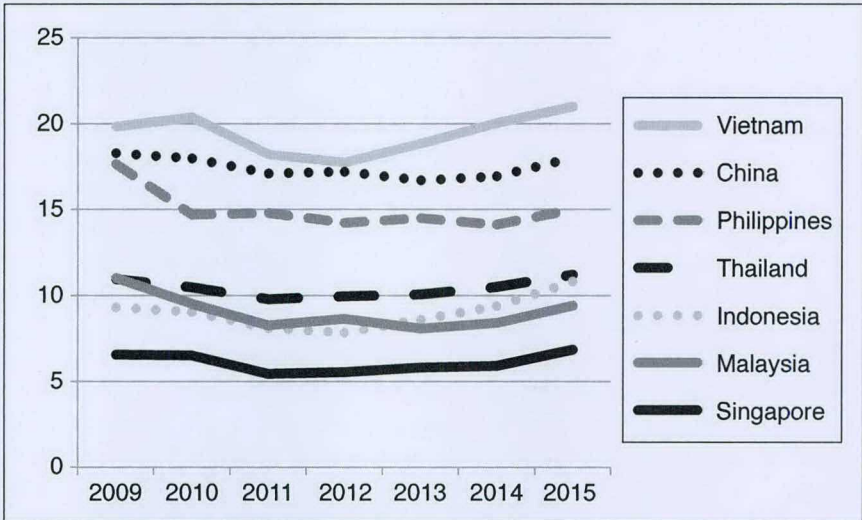
Trump's personal style of combative, scandalous rhetoric and habit of late night public policymaking through social media is certainly not widespread among Southeast Asian political leaders. However, it resonates most obviously with that of President Duterte and is surprisingly similar to Cambodian Prime Minister Hun Sen's social media activity, which has seen him described as using Facebook "as a tool to legislate policy, propagandise his party and imprison opposition parliamentarians".<sup>13</sup>

The conflicts of interest that surround the Trump administration provide another area of convergence and comfort. Trump's personal business interests and ties create unprecedented conflicts of interest for a US president, and his team includes a large number of wealthy investors and business executives whose personal business connections look set to colour US policy. This blurring of public and private roles, however, will be familiar across Southeast Asia. Indonesian President Joko Widodo seized upon these connections as a positive feature of the new US administration, reporting of his conversation with the new president that: "Donald Trump said 'my friends are many in Indonesia and I have businesses in Indonesia.' He said this."<sup>14</sup> Trump's business connections in Indonesia include plans for resorts with businessman-cum-politician Hary Tanoesdibjo, who was reported as meeting Trump's sons in New York before flying to watch the President's inauguration in Washington on 20 January 2017.<sup>15</sup> In the Philippines, Duterte has appointed a Trump business partner and "builder of Manila's own Trump Tower" as a trade envoy to the United States.<sup>16</sup>

In contrast to the scope for personal business deal-making, the economics of a Trump presidency are likely to prove more disturbing, threatening to disrupt the economic growth that has been vital for regime security in Southeast Asia. The region's ruling elites have long relied on economic resources to remain in power, either through the distribution of patronage or through more broadly-based strategies of achieving regime legitimacy through growth. From this perspective, the Trump administration is more of a potential concern, with negative repercussions coming through a variety of channels.

Trade is one channel by which the Trump administration's policies will affect economic growth in Southeast Asia. The main trade effects will be indirect. Although Trump's threat to the multilateral, rules-based global trading order is real, the costs to the United States from an across-the-board retreat from trade are likely to deter truly drastic action, and no Southeast Asian country has been singled out for retaliation by the new president. Southeast Asia's direct exposure to the United States in terms of exports is significant, but as shown in Figure 1, America accounts for between less than 7 per cent of exports in the case of Singapore to, at the upper level, nearly 21 per cent in the case of Vietnam.

Figure 1  
Exports to the US as Percentage of Total Exports



Source: IMF, *Direction of Trade Statistics* 2016.



As shown in Figure 2, Southeast Asian countries rely far more on exports to the rest of Asia than they do on exports to the United States. However, China plays a critical role in sustaining intra-regional trade and growth, and it remains very exposed to the US export market, which continues to account for a greater proportion of China's exports than the rest of developing Asia. Any move by the United States to restrict trade with China therefore threatens to have major repercussions for the rest of Asia.<sup>17</sup>

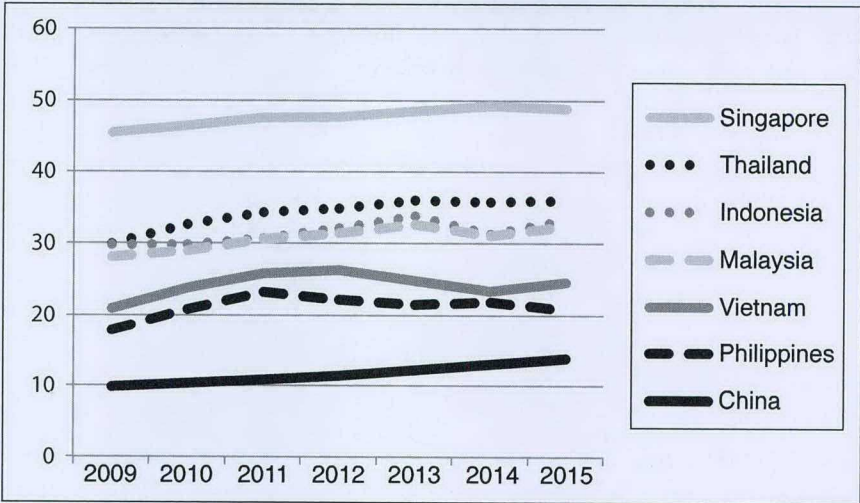
The region will also be affected if US businesses reduce outward investment in manufacturing and business process outsourcing in the region, although here again dependence on America is much lower than it used to be for most regional countries. For the most recent year in which comparable figures are available, the United States was an important investor in Southeast Asia, but not the most important source of foreign direct investment for any country in the region, as shown in Figure 3.

Finally Southeast Asia is vulnerable to any significant rise in US interest rates, which may occur if Trump's advocacy of reduced taxation and infrastructure spending translates into wider US fiscal deficits. The region has absorbed large-scale inflows of finance due to sustained "quantitative easing" policies in the United States and Europe since 2008, creating an increased susceptibility to reversals that could be triggered by rising US interest rates.

For the time being, most Southeast Asian political leaders appear to view the long-term economic fallout from the Trump administration as a relatively distant concern. Any negative effects remain in the future, and many leaders look increasingly to China as a source of economic patronage. Certainly, China is making large investment promises in many countries, including Malaysia and Indonesia, which have traditionally been oriented much more towards the United States. China is now the third largest investor in Indonesia in terms of annual inflows of direct investment,<sup>18</sup> and is expected to expand further given President Widodo's ongoing preoccupation with domestic infrastructural development. Malaysia has turned to China to secure a bailout for the scandal-hit state-owned investment firm, 1MDB, as well as welcoming other very large Chinese investments into Malaysia,<sup>19</sup> most notably evident from the sheer size of trade and investment pacts signed during Najib's visit to China in late 2016 as well as the China-backed mega Forest City project in the state of Johor.

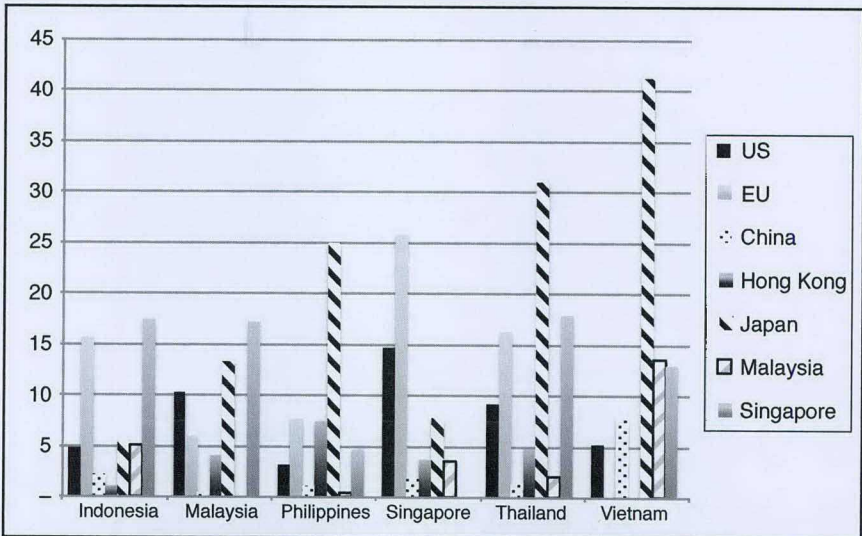
China bolstered its image by emerging as a champion of economic openness at the annual meeting of world economic leaders in

Figure 2  
Exports to Developing Asia as Percentage of Total Exports



Source: IMF, *Direction of Trade Statistics* 2016.

Figure 3  
FDI Stock by Source Country, Percentage Total Inward FDI, 2012



Source: UNCTAD, *Bilateral FDI Statistics*, available at <<http://unctad.org/en/Pages/DIAE/FDI%20Statistics/FDI-Statistics-Bilateral.aspx>>.



Davos in January 2017. Nonetheless, it is not clear that China will be either willing or able to sustain a role as the prime source of economic support in Asia. Its patronage is important, but its market size remains much smaller than America's. Thus although China has put forward ambitious proposals for a new regional order that will not be tied to the United States, structurally it is not yet in a position to replace America as the ultimate market of first and last resort. For governments in Southeast Asia, however, the prospect of a reduction in long-term growth lies in the future. It is therefore of lower priority than dealing with immediate political challenges to regime survival and security.

### NOTES

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- <sup>12</sup> Natasha Hamilton-Hart, "1MDB Scandal Reveals Tangled Web of Global Finance", *East Asia Forum*, 30 August 2016, available at <<http://www.eastasiaforum.org/2016/08/30/1mdb-scandal-reveals-tangled-web-of-global-finance/>>.
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