The Trans-Pacific Partnership and American Domestic Politics: Why the End of the TPP Signals the Beginning of the End of American Dominance in the Asia Pacific

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Introduction:
The election of Donald Trump to the American Presidency and his subsequent decision to withdraw from the Trans Pacific Partnership (TPP) Agreement has made many Asia-Pacific leaders and observers question the depth of the US commitment to the economic development and political stability of the region. Trump’s actions and statements were a radical departure from those of the Obama Administration, which had tried to “rebalance” American foreign policy towards Asia. The administration presented the TPP as an important way to entrench the American economic presence in the Asia Pacific, counteract Chinese influence, reassure allies of American commitment to the region, and ensure that the US was at the forefront of efforts defining new principles of international trade.

By contrast, Trump presented a vision of American “leadership” directed towards maximizing American power at the expense of other states, including allies.¹ He presented the US as a victim of globalization that other states have taken advantage of in trade and security agreements. During the election campaign, Trump made clear his intention of withdrawing from the TPP. Trump also threatened to re-evaluate and renegotiate all of the US’ trade agreements with other states to get a “better deal” for the US.

Many Asian leaders hope that Trump will, over time, moderate his positions and assume policy stances designed to bolster the US-Asian trade and security status quo. Some of Trump’s actions since the election have lent credence to this hope, though Trump continues to advocate many of his earlier, antagonistic positions on global trade.² The Trump Administration has also sent contradictory signals on its approach to China and its territorial claims in the South China Sea.³ If Trump does not modify his stated policies, Asians still hope that a future American administration will return to the TPP (or a TPP-like arrangement). This paper argues that it is highly unlikely that the TPP or any similar multilateral free trade agreement is possible between the US and the Asia Pacific region for the foreseeable future. To understand why, it is necessary to examine fundamental currents in US domestic politics that shape the parameters of US foreign policy.
This paper addresses key questions relating to the American decision to abandon the TPP. First, how significant was this decision? Is the American withdrawal from the TPP as politically consequential as TPP advocates claim? Second, why did the US leave the agreement? Is this decision symptomatic of deeper problems within the US that are likely to have lasting foreign policy consequences? Finally, what are the lessons that the Southeast Asia can draw from the American decision?

This paper argues that the American decision to withdraw from the TPP is consequential; the TPP was an important symbol of the US commitment to its historical role in the Asia Pacific. The US left the agreement because there is a powerful belief, shared across the American political spectrum, that free trade agreements (FTAs) are responsible for, and symbolize, domestic economic and political inequality and the decline of the US middle class. The economic inequality for which many Americans blame FTAs is real, but this inequity is largely the product of domestic US political, economic and social forces and decisions. Effectively confronting this inequity requires the US to implement major social welfare reform. However, such programs require the US to confront fundamental cultural, racial and ideological divisions within its society. The conflict around these issues presages major social, political and economic upheaval within the US. While this is happening, the US is likely to be an unreliable and unpredictable regional ally and global power. So long as the US is unable to address the real causes of its social, economic and political decline, its aversion to FTAs will continue.

This paper focuses on how domestic American politics dramatically affects and limits the potential range of American foreign policy. The end of the TPP is the first clear sign of the significant decline of American power in the Asia Pacific region and beyond. This decline necessitates new responses and strategies from the states of Southeast Asia in how to manage regional relations. So far, Southeast Asian states have proven reluctant to accept and adjust to the changing circumstances.
The End of the Trans-Pacific Partnership Agreement:

On January 23, 2017, as one of his first acts as President, Donald Trump carried through on his election promise to pull the US out of the TPP. In doing this, he fed regional fears that the US’ commitment to the economic prosperity and security of the Asia Pacific region was unreliable. Asian concerns about American staying power in the region have been on the rise for decades. The end of the Cold War negated the US’ established ideological reasons for remaining active in the region. The Americans’ growing economic relationship with China also created uncertainty among regional allies about where American interests in the region lay.

The Obama administration’s attempt to “rebalance” American foreign policy towards Asia was partly an effort to reassure the US’ Asian allies that the US remained committed to its role as the dominant regional power and intended to continue playing a major role in the development of the Asia Pacific. The rebalance also advanced American long-term hegemonic ambitions. Obama understood that if the US was to remain the global hegemon, it needed to be deeply entrenched in Asia, the region of the world most likely to be ascendant in the 21st century. Many observers believe that the US failed to implement the “rebalance”. As with past administrations, the Obama regime was distracted by other global hotspots and never gave Asia the full attention that it needed. Obama himself, however, remained dedicated to the policy to the end of his administration.

In 2002, Chile, New Zealand and Singapore began negotiating the Trans-Pacific Strategic Economic Partnership (TPSEP) (Brunei joined in 2005), and signed a partial agreement in 2005. The original negotiations could not resolve disagreements on financial services and investment, so the member states signed the agreement with the intention of returning to discussions within two years. In 2008, the outgoing Bush administration in the US announced its intention to join the TPSEP, greatly expanding the scope and appeal of the agreement to other states. Over the next several years, more states joined: Australia, Peru and Vietnam (2008), Malaysia (2010), Mexico and Canada.
(2012) and Japan (2013). The members signed the re-named Trans-Pacific Partnership (TPP) Agreement in 2016.\(^6\)

The Bush administration entered the TPP negotiations because it judged it necessary to provide a firm anchor for the US in the Asia Pacific. The Obama administration made the same assessment, and claimed the TPP as the necessary economic pillar in its multi-pronged rebalancing strategy. The military dimension of rebalancing was not enough; the US needed to show that it was willing to counteract China’s growing regional economic clout. US Secretary of Defense Ashton Carter famously declared that “passing TPP is as important to me as another aircraft carrier.”\(^7\)

Critics of the TPP argue that the Obama administration exaggerated the TPP’s importance to American national security. Even without the TPP, the US is engaged deeply with the Asia Pacific. The US runs large trade deficits with most of the region, has pre-existing FTAs with six of the TPP partners, and is part of APEC, which aspires to be a free trade area by 2020. Between 2010-2015, US foreign direct investment (FDI) into ASEAN averaged $12.7 billion/year, or 11.1% of the ASEAN total, making the US the fourth largest ASEAN investor in the world. US FDI stock in ASEAN reached more than $226 billion by the end of 2014 and accounts for 31% of all US FDI in Asia, about 4.6% of US global FDI. About 72% of US FDI in ASEAN is in the service sector.\(^8\) The US 7\(^{th}\) Fleet patrols the area and the US military has about 100,000 troops stationed in the region. If these factors do not convince Asian states of the US commitment to the region, the TPP would not change this.\(^9\)

This assessment underestimates the economic efficiencies of a multilateral FTA over a bilateral FTA.\(^10\) It underestimates the importance of the TPP as a political symbol. After one American administration claims that an agreement symbolizes American regional commitment and spent years negotiating that agreement, it is difficult for another administration to walk away from that initiative without harming American credibility. More importantly, TPP was a response to China’s many regional initiatives. Whatever the objective reality, regional states perceived the US as losing position in the face of a barrage of Chinese activities and economic/political outreach. The TPP
reassured regional allies that the US was responding to Chinese dynamism and commitment with measures of its own. At present, regional states cannot be sure that the US will risk confrontation and complicate its relations with China over issues such as the South China Sea or that doing so is in the American interest, particularly as the US and China become ever more economically entwined. A deeper American economic engagement in the Asia Pacific addressed those fears by demonstrating that the US was linking its economic self-interest to regional stability, security and engagement. The TPP’s loss reinforces regional fears of American abandonment and adds to reasonable concerns that the US is an unreliable ally. This perception would hold even if Hillary Clinton had won the Presidency and left the TPP. The reality of the Trump administration, which has explicitly argued that American allies are taking advantage of the US, which regards foreign relations in entirely transactional terms, and which has indicated its hostility to FTAs, exponentially increased regional uncertainty about American commitments.

Trump’s military plans also add to regional instability. Trump is dedicated to the idea of a larger and more intimidating American military. His first “skinny” budget proposal (which was not accepted by the US Congress) suggested shifting $54 billion from US government discretionary spending on social welfare and reallocating it to the military; Trump has expressed his desire to increase the US navy from 275 ships to 350. However, a more active American military presence in the Asia Pacific that is not underpinned by the specific objectives of protecting and advancing American economic interests seems to indicate a desire for military power and influence for its own sake. American military power unmoored from any sense of commitment to allies is dangerous and destabilizing.

Why Did the US Reject the Trans Pacific Partnership Agreement?

The US withdrew from the TPP, an agreement that worked to the advantage of US business and would have solidified American geopolitical economic influence in the Asia Pacific, because FTAs became politically toxic within US domestic politics. FTAs were always a difficult political issue in the
US, but both major parties favoured them as good for American business. During the 2016 Presidential election campaign, the anti-FTA antipathy gained full expression. The leading Presidential candidates – Donald Trump for the Republican Party and Hillary Clinton for the Democrats – condemned or, in the case of Clinton, repudiated the TPP. The Democratic Party challenger, Bernie Sanders, pushed Clinton into her political about-face when he attacked the TPP, and FTAs in general, from the political left. Trump was able to excite white working class voters with his demonization of Mexico, his claim that other countries were “stealing American jobs”, and his promise to bring those jobs “back.” Bernie Sanders condemned FTAs in similar terms. The belief that Trump’s election was the “revenge of the white working class,” of the people “forgotten” and “left behind” by globalization persists as a common interpretation of the 2016 American election. As we shall see, the actual reasons for Trump’s political victory are not so neat. Nonetheless, so long as FTAs are linked in the public mind to inequality and injustice within the American economic system, FTAs will remain anathema to significant segments of the American people. This opposition will only change if enough of the public can be convinced that FTAs are clearly beneficial to the American economy and society. This requires political leaders willing to make the case for FTAs, something unlikely to happen in the near future. More importantly, it requires efforts to address the real problems of American economic and political inequality. This is a course of action that the US, in particular, is ideologically, historically and culturally ill-fitted to undertake.

Economic inequality is a stark reality to many Americans. Over the past forty years, the US has been one of the chief advocates and beneficiaries of international economic and financial liberalization. However, during the same time, the country has experienced considerable social and economic change and disruption. The real wages for average American workers, adjusted for inflation, have remained stagnant since the 1970s. In 1980, the top 1% of income earners in the US owned 10.7% of pre-tax income and the lower 50% owned 19.9%; by 2014, this had flipped, with the 1% owning 20.2%, leaving 12.5% for the lower 50%. In 1980, the pre-tax average income of the 1% was $428,200 vs. $16,000 for the bottom 50%; by 2014, adjusted for inflation, the 1% was earning
$1,304,800 vs. $16,200 for the bottom 50%. Among the 1%, a growing portion of its wealth comes from investment income.\textsuperscript{14} Children born in 1940 had a 90% chance of earning more than their parents; children born in 1985 have a 50% chance, part of a steady downward trend.\textsuperscript{15} Increasingly, wealthy children have access to education and other advantages that poorer children do not.\textsuperscript{16} Social mobility is far better in most other Western states than the US. Many Americans feel deeply alienated from their political system, with most believing that the system is “rigged” in favour of wealthy interests.\textsuperscript{17} Empirically, actual analysis of the influence of “ordinary” American on policy issues confirms this suspicion.\textsuperscript{18} The American political system is extremely corrupt; the perception that Congress is for sale to the highest bidder is largely correct. Moneyed interests have established foundations and institutions to push their ideological agendas on public institutions, at the expense of the public.\textsuperscript{19} At the same time that economic advancement is becoming more difficult for more Americans, the inflow of “non-traditional” migrants and immigrants into the US has increased, transforming the culture and ethnic makeup of the country. Immigrants from all over the world were attracted to the sectors of the US economy that benefited from globalization. Migrants, legal and illegal, from Latin America streamed into the country to take menial jobs that Americans did not want and to provide cheap labour. In 2008-2009, the Global Financial Crisis devastated the banking sectors and economies of many countries, including the US. At the height of the crisis, the US government “bailed out” the lending institutions that had caused the crisis. It did little, however, to help the ordinary Americans who lost their homes and went bankrupt. Indeed, Obama’s efforts to help those who were losing their homes was the event that precipitated the birth of the Republican Party off-shoot, the “Tea Party.”\textsuperscript{20}

In the face of this real evidence of economic, social and political inequality, FTAs became easy targets of popular anger and discontent. It was easier for Americans to blame FTAs and foreign influences for their economic woes than to look within at their own social and economic failures. The white working class blamed the loss of manufacturing jobs on FTAs— in particular, the North American Free Trade Agreement (NAFTA) and China’s entry into the World Trade Organization
(WTO) (the “China shock”) – which allowed well-paying jobs to relocate to lower-pay jurisdictions and left far less lucrative jobs in their place. At the same time, the changing ethnic makeup of the US has fed the perception of white Americans that their dominant position in the society is under threat.

Much of the architecture around the financial and trade liberalization of the world economy does pose serious challenges for global democracy. Powerful corporations and wealthy interests have tried to create a homogeneous liberal global economic system where the mobility of capital and the protection of private property rights trumps the ability of states to govern on behalf of the interests and preferences of their people.\textsuperscript{21} However, defenders of globalization point out that many areas of the world have benefitted from the spread of markets and opening of the world economy. Asia, in particular, has seen hundreds of millions of citizens pulled out of poverty through their access to world production networks. Even so, economic inequality has increased on a global scale, including in Asia, even as the overall number of people living in poverty has dropped below 10% for the first time in world history.\textsuperscript{22} Globalization does not have a simple positive or negative effect; it varies depending on the context and on the ability of the state to respond to the disruptions caused by globalization.\textsuperscript{23}

The common perception in the US that FTAs are responsible for massive economic disruption is not accurate. According to some analyses, at the most 5% of jobs lost in the US since the inauguration of NAFTA are attributable to FTAs, and probably far less. The US has shed more than two-thirds of its manufacturing jobs since 1971, but this is due to structural changes, such as changing transportation costs and the satisfaction of demand for manufactured goods, as well as technology. By some analyses, as few as 116,400 jobs may have been “lost” to NAFTA from 2007-2010 – less than 0.1% of the US workforce. NAFTA also, demonstrably, created many new jobs in various industries, such as the auto sector.\textsuperscript{24} A recent study indicates that, from 1999-2011, the “China shock” may have cost the US around 560,000 manufacturing jobs directly and 2-2.4 million
jobs through the direct and indirect effects of competing with Chinese imports. However, taking into account jobs created in the US by trade with China, DeLong argues that Chinese imports have cost 300,000 US jobs. This is substantial, but any discussion of job loss must also consider job gains; most economists agree that the FTAs have added to US employment and income. Many more American manufacturing positions have been lost to automation than to low-cost labour in other countries. Automation replaced 670,000 US jobs from 1990-2007 and the effect of robotics on human employment is expected to accelerate. One study estimates that 38% of US jobs may be done by automation within 15 years.

While the overall number of jobs lost to FTAs in the US is relatively low, this does not capture the full story. The new jobs created by FTAs may be located in different geographical areas, requiring laid off workers to uproot their lives and move. Many require new training and upgraded education. The jobs that remain in a jurisdiction that has lost a factory are not necessarily as high-paying or stable as the jobs they are replacing. Whether caused by economic globalization, structural economic changes, technological advances, or some combination, millions of Americans have experienced severe economic and social disruption. This has had political consequences; one has been the scapegoating of FTAs as a cause and symbol of growing American inequality and loss of opportunity. However, the actual causes of US economic inequality are rooted in the history and ideology of the American state and have little to do with FTAs. The problem facing the US is not globalization; it is the American failure to adjust to the economic changes caused by globalization and other factors. This failure is internal and attributable to fundamental flaws in the American model.

**The TPP as a Symptom of American Social and Economic Dysfunction:**

Moreso than most states, the US has the wherewithal to cushion its people against the worst effects of a liberalized world economy. Yet, it resists doing so, at least to any significant degree and certainly not to the level necessary to successfully address growing income inequality and other
negative side-effects caused by a changing and increasingly specialized economy. The fundamental nature of this resistance means that the US will likely do little to address these problems; even if it does act, it will not do so without considerable social and political upheaval. Both action and inaction have profound implications for US foreign policy and the US role in Southeast Asia. It means that the TPP – or any other American-backed regional FTA – is off the table for the foreseeable future. Even more significantly, the more unstable and unpredictable American politics are at the domestic level, the more unreliable the US will be at the global level.

Two principal forces limit the ability of American politicians to confront effectively the problems of economic and social inequality in the US. The first is an anti-government ideology that has deep roots in the country’s history and is manifested strongly in the Republican Party. The Republican Party in the US has very limited policy goals: to shrink the size of government (except the military) and cut taxes, particularly those on the wealthiest Americans. These objectives usually work together. These values are based, in part, in a devotion to market ideology, but they are driven by a deeply-held belief in the US that the state is an enemy of “freedom.” For this kind of conservatism, government-provided social welfare programs are “immoral” because they build “dependency” and remove the incentive for people to work. The conservative opposition to an activist state is so strong that it has manifested as a rejection of scientific reality. The refusal of American conservatives to accept the science of climate change is partly based on religious worldviews that often conflict with science, but is also rooted in their realization that an effective climate change strategy requires more government action and intrusion into the social and economic workings of the society. Indeed, effective climate change measures require extensive international coordination. The Republicans oppose the expansion of the social safety net in the US and many Republicans are attempting to roll back and dismantle the meager social supports that do exist. This opposition to government-provided or supported social welfare initiatives is a major impediment to addressing income inequality and the other social stresses that have undermined public support for FTAs.
This opposition to social welfare and devotion to tax cuts has played out in the domestic debate around health care. On May 4, 2017, the Republican-dominated House of Representatives passed a bill (the “American Health Care Act”) designed to “repeal and replace” the Affordable Care Act (ACA) or “Obamacare.” Critics condemned the bill as a brutal piece of legislation that would deprive millions of people of access to healthcare. When the Congressional Budget Office (CBO) scored the bill on its economic and social effects, it estimated that 23 million people would lose their access to healthcare over the next decade and that premiums for senior citizens could go up 850%. Significantly, the most important driving force behind the bill – besides their desire to dismantle Obama’s legacy – was the Republicans’ desire to give the wealthiest Americans a tax break of almost one trillion dollars. Many hard-line Republicans complained about their party’s handling of American healthcare, objecting to what they saw as the mainstream Republican Party conceding the idea that the government had a role to play in the provision of healthcare to American citizens. These critics lamented that Americans had come to expect health care as a right that should be provided to them by the government, rather than as something left to the open market and the resources of the individual. This sentiment has virtually no parallel in mainstream politics in any other Western state, where the idea of healthcare as a right of citizenship is broadly accepted.

The nature of the dispute underlines the intense ideological commitment of the Republican Party to regressive social policy and the barriers to social reform that exist in the US. Even if the Republican Party suffers political consequences for its stance on healthcare, there is a sizable core of Republican supporters who will continue to resist any major government involvement in the provision of social welfare to American citizens. The Republicans have enormous potential to be highly obstructionist in any future efforts to address the social welfare needs of Americans.

The second major factor is the political importance of racial division in American society. Racial politics complement and often drive the politics of small government described above. In the US, especially since the cultural and political upheavals of the 1960s, white Americans have come to
associate social welfare programs with efforts by the federal government to take their hard-earned tax money and redistribute it to less-deserving African Americans (and, more recently, non-white Hispanic Americans). The perception that government works to the advantage of minorities has fed resentment among white Americans, particularly the working class, who often feel that they do not benefit from government programs and thus support the removal of benefits from others, especially minorities. These sentiments have fed into the pre-existing opposition to an activist state and are used by right wing political movements to foment further opposition to government action.

It is easy to read the Electoral College victory of Donald Trump as a populist response to economic disruption caused by globalization. To a significant degree, this is true; the political alienation of the economically displaced white working class in a number of mid-Western American states was a crucial factor that provided Trump with an exceedingly narrow margin of victory in the Electoral College. Donald Trump’s Electoral College victory was attributable to less than 78,000 votes in three Midwestern states. However, while the anger of the white working class was pivotal to Trump’s victory, their votes constituted a relatively small part of Trump’s support. In fact, most of Trump’s voters – who were overwhelmingly white – were not in economic distress at all. The people who elected Trump were, for the most part, white, economically well-off and segregated. The single greatest factor accounting for Trump’s victory was cultural backlash – i.e., white Americans who were unhappy with the changing cultural and ethnic transformation of their country. Trump’s most effective election strategies were his appeal to anger against Mexican migrants and Muslim immigrants, not his attacks on economic inequality and free trade.

There is nothing new about this. Since the 1970s, the Republican Party has implemented the “southern strategy” – i.e., using “dog-whistle politics” to appeal to the racial prejudices and fears of white American voters. For the most part, this strategy worked and continues to work. Since 1968, a considerable majority of white Americans have voted for the Republican Party in every American federal election. (See Table 1)The only exceptions were 1992 and 1996, when the independent
candidacy of Ross Perot split the white American vote. Most of this racial animosity is focused on the role and place of African Americans in American society, but in recent decades white apprehension about the rise of other groups, such as Hispanics, has become another source of insecurity. Trump’s election campaign was novel for a Republican campaign only in that he rejected “dog whistle politics” and came right out and gave voice to the racial/ethnic prejudices, insecurities and xenophobia that the Republican Party had been appealing to for decades. Careful analyses have demonstrated that many working class white Americans in mid-Western states, who had previously voted for Obama, switched their votes to Trump in 2016, but the great majority of Trump’s supporters were people who consistently voted Republican in the past. The only white demographic that supported Clinton over Trump were young, college educated women, at 51% to 45%.41 In this sense, the election was completely ordinary; Americans voted exactly as expected: along overlapping partisan and racial lines.42 Trump’s victory did not represent any kind of social revolution, but it illustrated the extent to which ordinary Republican voters were willing to support a totally unqualified candidate.

Table 1: White American Voters for President:

<table>
<thead>
<tr>
<th>Election Year</th>
<th>Democrats (%)</th>
<th>Republicans (%)</th>
<th>Third Parties (%)</th>
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<tbody>
<tr>
<td>1964</td>
<td>59</td>
<td>41</td>
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<tr>
<td>1968</td>
<td>38</td>
<td>47</td>
<td>15 (Wallace)</td>
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<tr>
<td>1972</td>
<td>32</td>
<td>68</td>
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<tr>
<td>1976</td>
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<td>1980</td>
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<td>1984</td>
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<td>66</td>
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<td>1988</td>
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<td>59</td>
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<td>1992</td>
<td>39</td>
<td>41</td>
<td>20 (Perot)</td>
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<td>1996</td>
<td>46</td>
<td>45</td>
<td>9 (Perot)</td>
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<td>2000</td>
<td>43</td>
<td>55</td>
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<td>2004</td>
<td>44</td>
<td>56</td>
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<tr>
<td>2008</td>
<td>45</td>
<td>55</td>
<td></td>
</tr>
<tr>
<td>2012</td>
<td>44 (39)*</td>
<td>56 (59)*</td>
<td></td>
</tr>
<tr>
<td>2016</td>
<td>37</td>
<td>58</td>
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Information from Gallup Election Polls- Presidential Vote by Groups
http://www.gallup.com/poll/139880/election-polls-presidential-vote-groups.aspx
Therefore, the opposition to government activism ties into some of the deepest prejudices and cultural touchstones of American society. The extent to which American politics and society are defined by racial politics cannot be underestimated. Perlstein argues that the last great expansion of the social welfare state in the US was in the 1930s and immediately followed Congress’ passage of a bill that closed American borders to immigrants. He notes that the social upheaval of the 1960s corresponded to the government easing immigration restrictions for the first time in decades. It was much easier for American governments to introduce social welfare programs when the majority of the population felt the benefits were going to them or people like them. Issues as diverse as the abortion debate and the argument over gun control began as issues directly connected to white Americans’ fear of, and desire to control, African Americans. The “war on drugs” and the massive increase in the incarceration of African American men since the 1970s are examples of established American institutional measures designed to control the political and demographic influence of African Americans, especially as they gained voting and economic rights after the upheaval of the 1960s.

In order to compensate for and address the social and economic disruptions caused by structural economic change, globalization, and technological advancements, the US needs an activist government. It needs social welfare programs and supports which make education and retraining affordable, which provide affordable and accessible high-quality healthcare to all Americans, accessible unemployment insurance, and numerous other social programs that can act as supports for workers faced with unemployment and downsizing. The US needs a much more extensive set of buffers between its citizens and the social disruption caused by a rapidly-changing economy. To implement these kind of programs, the US needs to raise taxes on the wealthy and find other ways to raise revenue. It may also need to reduce its extraordinary spending on the military. The US would need to choose social priorities that more closely align with those of European welfare states.
Mainstream Democrats and Republicans oppose this kind of extensive social welfare expansion. However, left wing populism in the US favors this approach. The Bernie Sanders campaign called for a serious expansion of the welfare state and higher taxes on the wealthy. Sanders may have opposed FTAs just as vehemently as Trump, but his opposition was not motivated by fear and hatred of the “other”, the desire to scapegoat foreigners for the failures of the American state, or a rejection of multilateralism and the wider world. It was driven by anger towards the wealthiest Americans, who benefit enormously from the society but contribute little to it and are handsomely rewarded for work of questionable social value. Left wing and right wing populism identify similar problems in the American state, but they differ widely in their explanations for what causes those problems and how to deal with them. Both share an antipathy to FTAs, but only left wing populism offers a plausible way to start addressing inequality in American society. Its prescriptions run head-on into the anti-state, anti-minority and anti-foreign realities of right-wing populism. In the US, the most popular politician today is Bernie Sanders. Among young Americans, a majority (51%) claim not to support “capitalism”, vs. 42% who do.\textsuperscript{46} The number of people voting for third parties in 2016 shot up by more than 5.5 million over the 2012 election, to almost 8 million voters.\textsuperscript{47} These figures indicate that, while unhappiness with the US economic situation and inequality may be widespread, this did not necessarily translate into direct voting for Trump. The dissenting votes were scattered over a number of candidates.

The election of Donald Trump and the values and ideas that he represents, are anathema to large parts of the US public. At the same time, Trump enjoys the unswerving loyalty of a base that sees him as the representative of a nostalgic version of a United States that was once more racially homogeneous and economically powerful. A large number of his supporters voted for him as an “anti-establishment” candidate. American politics and society have become more polarized over time. This has been particularly true for the Republican Party, which has refused to recognize the legitimacy of Democratic Party Presidents since Bill Clinton and was especially enraged about the election of Barack Obama. Obstructing Obama became the defining purpose of the Republicans
during Obama’s time in office; dismantling Obama’s legacy has been the major preoccupation of the Trump administration and its supporters in Congress.

However, demographic change in the US may well be working against the Republican Party. After its 2012 loss, the Republicans conducted an “autopsy” of their defeat, a report that examined where the party had gone wrong and what it needed to do to regain power. The autopsy recommended that the party move to the political left and do far more to reach out to minority voters or risk obsolescence.\(^{48}\) Obviously, the party did not follow this strategy in the 2016 election; instead, it tacked to the extreme right and won an Electoral College victory. The findings of the autopsy still hold; time and demography are not on the side of the Republican Party. However, decisive demographic shifts in the US will not happen for more than another decade and the arch-conservative Republican Party that is now in control of the American government will not fade quietly into the sunset. The attitudes and ideas that it represents are too fundamental to the American character; they will continue to be present, even if just as obstacles to progressive action, well into the future.

If the US cannot effectively address the domestic political, social and economic weaknesses that make it vulnerable to critics of the liberalization of international trade, it will not enter new, or rejuvenate old, international trade agreements. Moreover, the US turn away from multilateral engagement with the rest of the world may well continue, especially under Republican governments. For a region such as Southeast Asia, which relies upon international trade for its economic prosperity, this is a profound blow. For China, which has tried to position itself as the new champion of international trade and an international leader on climate change, the confusion and conflict within the US present enormous opportunities.

The Response in Southeast Asia:

This paper has argued that both major American political parties would have rejected the TPP no matter which one was in power. However, the Trump Presidency is rapidly proving to be far more
disruptive to the established world order than a Clinton Presidency would have been. The full range of reasons for how and why the US political spectrum has moved so far to the political right since the 1970s is beyond the scope of this paper. However, the socioeconomic factors discussed above play a key role in explaining the crisis of American democracy symbolized by Trump’s election. For Southeast Asia, the challenge of how to respond to the changing American approach to the world has become of paramount importance and extends beyond its concern with the TPP.

The end of the TPP does not signal the end of American economic engagement in Southeast Asia. US Secretary of Defense James Mattis, speaking at the 2017 Shangri-La Dialogue, assured regional states that the US remains committed to its traditional allies and policies. He suggested that the US will pursue bilateral trade arrangements with the regional states in lieu of the TPP. This raises new concerns. Mattis spoke in the immediate aftermath of the Trump administration’s decision to abandon the Paris climate agreement, a decision that angered the entire world and alienated the US even further from its European allies, who were still angry over Trump’s conduct at the NATO leaders’ conference the previous week. At that conference, Trump criticized the NATO countries’ military spending and refused to affirm the US commitment to the collective defense provision (Article V) of the NATO Treaty. In the context of these developments, Mattis’ words have little credibility. The Trump administration has signalled, acted as if, and explicitly said that it intends to pursue a foreign policy that rejects the concept of a global community and is directed towards maximizing American advantage, to the disadvantage of everyone else, including allies. The effort of Trump administration officials to articulate this approach and, at the same time, assure other states of American leadership is logically incoherent. Under such circumstances, any state entering a bilateral agreement with the US would have to be extremely wary. The US has made it plain that it does not regard FTAs as win-win arrangements but as agreements that have winners and losers. At the same time, China is stepping into the void left by the Americans to promote free trade and to promise to maintain and advance its commitments in the Paris agreement. The Trump administration is following policies that have greatly accelerated the decline of American power and
greatly enhanced China’s international standing. Southeast Asian states must recognize that reality and start planning for a post-American world order.

The states of Southeast Asia have had a complicated relationship with the United States. To the non-communist states of the region, the US has been the historical linchpin of regional economic, political and security stability. To the communist states – notably Vietnam, Cambodia and Laos – the historical regional role of the US is far less salutary. The US was responsible for wars and attacks that killed millions of Vietnamese and destabilized Cambodia and Laos, leading to the rise of the Khmer Rouge and genocide in Cambodia.\textsuperscript{51} In the 21\textsuperscript{st} century, the American regional role has become much more complex. Regional elites are accustomed to the US presence and stabilizing role; they want the US to continue to play such a role, even as it makes moves to accommodate (to a certain degree) China’s rise. At the same time, they want the US to offset and balance Chinese influence and aggression. The default position in the region is to lean towards the US. However, this default may prevent regional elites from fully recognizing the extent to which domestic political instability has been building in the US over the past few decades. During the George W. Bush administration, the non-Muslim Southeast Asian states wasted little time in supporting the American invasion and occupation of Iraq, despite the fact that the Iraq war was blatantly illegal and violated the exact principles that ASEAN had defended for more than a decade in its campaign to resist Vietnam’s invasion and occupation of Cambodia. This tendency to want to believe in American leadership is a reasonable response from states that have placed so much of their security in the stability of American goals and interests. However, this faith is misplaced.

The American domestic political struggle has a number of important implications for the Asia Pacific region. First, the US’ ideological aversion to government activism is counterproductive as the international community struggles to come to terms with global issues that demand multilateral solutions. Climate change is of paramount importance to Southeast Asia, a region of the world that is among those most affected by the phenomenon. The region must contend with hurricanes, rising
sea levels, hotter climates, and the effects of warmer seas on fisheries. The US has emerged as a major obstacle to dealing effectively with this issue, which is of existential importance to countries all over the world. American resistance reflects a conservative refusal to accept scientific truths that would require governmental response. American right wing nationalism also comes into play in the rejections of global multilateralism and the idea that the US bears responsibilities to non-American people. Trump made this point explicitly when he stated his reasons for taking the US out of the Paris Climate Accord, asserting that he was elected to represent “Pittsburgh not Paris.” The general rejection of multilateralism by the American right also undermines any efforts to manage the worst effects of economic globalization on a world scale. In fairness, very few states, if any, are yet ready to make the sacrifices of sovereignty that may be necessary to allay the worst effects of inequality attributable to economic and financial globalization. Nonetheless, the US, as the most important state in the global architecture, bears a special responsibility and influence on the management of global issues that no other state yet possesses. Under the present American government, it is clear that the US has no intention or desire of meeting those responsibilities.

If the argument of this paper is correct, the US is entering a period of considerable domestic political upheaval. That upheaval has the potential to affect the way the US approaches the world. For example, the risk that a US President will use force against a rival state in order to score political points at home is a long-established strategy, but it can have dramatic and catastrophic consequences, especially if it encourages other powerful states to act in similar ways. The political and social upheaval caused by growing income inequality and economic disruption affects US soft power by undermining the international appeal of its political system. It illustrates the failure of the US model to lead to politically and economically desirable results. Many Americans will be even less willing to support an active American role in the world as the country contends with intense ideological, cultural and economic divisions. Many of these divisions are reflected in issues related to the US’ role in the world and its relationship with the larger international community. Under Trump, the US has gone from protecting the world’s institutional structures under the previous
administration to attacking the same system that the US constructed, dominated and used to its advantage for more than 70 years.

The Trump situation demonstrates the extent to which the US is in a state of democratic crisis. Trump’s nomination and successful election to the Presidency is the product of a gradual drift towards political extremism that has characterized the Republican Party for decades. Trump’s administration is unique, but it has a great deal in common with the previous Republican administration of George W. Bush. In Asia, the Bush administration is fairly well-regarded, even if it did largely ignore Southeast Asia, except as related to its “war on terror.” Nonetheless, the Bush administration’s foreign policy was enormously destructive to international institutions, law and order. With the end of the Cold War, powerful strands in the American foreign policy establishment, particularly on the political right, were eager to use American military power to reshape the international system to consolidate American global domination. Bush’s foreign policy team was dominated by neoconservative ideologues, who viewed multilateral institutions and international cooperation with suspicion and disdain. They regarded international institutions as useful only to advance American goals, and as disposable and easily ignored when they did not. This distinguished them from previous administrations that, ostensibly, accepted the need for the US to be constrained by international institutions if it was going to continue to benefit from the international order it had created. The Bush administration obstructed progress on global environmental issues. Many of its actions, particularly its illegal war in Iraq, created massive instability in the international system, the consequences of which are still being felt across the world. These actions, at the time, created a crisis between the US and Europe.

There are key differences between the Bush and Trump foreign policies. The Trump White House is divided between so-called “globalists”, who favour more international cooperation, and “nationalists”, who see the world as a zero-sum game and reject multilateralism and what they see as any international infringements on American sovereignty. This aversion to multilateralism
supposedly makes the nationalists “isolationists.” However, they do not eschew American involvement in the world; they want that involvement to be highly transactional in nature. The neoconservatives who dominated the Bush regime were, in their own minds, motivated by a desire to spread American democracy and economic values through force of arms to serve a moral purpose and solidify American global domination. The nationalists and neoconservatives have a great deal in common, especially in their desire to maximize American global power and their rejection of multilateral obligations and international law.

Twice since the end of the Cold War and the start of the 21st century, American Presidents have followed foreign policies that were enormously destructive of international institutions, order and stability. Both times, they were Republicans. This is not accidental. The narrow, nationalist, mindset is an important part of right-wing conservative ideology in the US. Unless it undertakes radical reform, future Republican administrations can be expected to advance similar policies which challenge the idea that the US has obligations to the institutions of the international system. This will continue until the relative decline in American power forces future American administrations to modify their positions and compromise with the rest of the international community. The international community cannot make policies that depend on stable American leadership and commitment to international order and then hope that the American public elects a Democratic President who will actually try to honour those commitments – while probably also fighting obstructionism from Republicans in the Congress. For Southeast Asia, as well as the rest of the international community, it is time to begin planning for a post-American world order.

In the aftermath of the Trump election, China has presented itself as the global champion of free trade and reiterated its commitment to fighting climate change. China has a strong opportunity to supplant the US as leader in dealing with the most important issues in the modern world. However, we must not exaggerate these possibilities. Much like the US, China may be entering a period of “imperial overstretch.” China’s goals are incredibly ambitious, such as its pursuit of the
“One Belt, One Road (OBOR) initiative, but fulfilling them may be difficult. As American soft power declines, China can offer economic power, but has little soft power alternative.

Southeast Asia is facing a period of considerable uncertainty. The US is retreating from economic and political engagement. Even if it returns and tries to resume its old role, it will be an unreliable ally. China is rising in the region and on the global stage. However, China is willing to assert its power in ways that threaten the sovereignty of Southeast Asian states. Aside from economic power, China has little appeal. More importantly, China continues to struggle with enormous political, economic, environmental and demographic problems at home. Despite its great ambitions, it is not clear that China can really fill the vacuum left by the declining US. Other powers may find other opportunities to assert themselves in much more complex world. At the same time, the problems facing the international system –climate change the most important – require international cooperation and coordination.

This situation of declining Great Powers and the need for cooperative international action opens many possibilities for Southeast Asia to act in a more united way. Southeast Asia could attempt to utilize the Association of Southeast Asian Nations (ASEAN) to act as the regional voice. Southeast Asian states have aspired to do this in the past, with limited success. The uncertainties of the future, however, may add further impetus for ASEAN to grow into a more coordinated and forceful institutional structure. There will be considerable pressure for states to turn inward and for the system to fall apart as the US retreats from its traditional role in maintaining hegemonic stability. However, the global scope of modern problems may force states towards more cooperation, whatever their inclinations.

Conclusion:

This paper has undertaken a fairly deep dive into American domestic politics in order to explain why the US rejected the TPP and why the future of US support for multilateral free trade agreements looks bleak. The rejection of the TPP was a symbol of much deeper divisions in US society that have
been building for generations. These divisions are now playing out on the domestic and international stages.

The US has become a society of enormous economic, social and political inequality. This has produced more extreme politics and a casting about for scapegoats to blame. The TPP became an easy symbol of the economic globalization that many Americans blame for their changed circumstances. However, American inequity is not due only to globalization; it is due primarily to technological changes and, most importantly, the failure to implement policies that can mitigate the worst effects of the social disruption caused by structural economic transformation. The American ability to implement these necessary policies is limited by the substantial ideological and cultural divisions that run to the heart of the American state. This suggests, at the least, a period of considerable internal disruption and upheaval in the US while these issues are worked out through its political system and society. While this happens, the American role in the world will be unstable and uncertain.

Southeast Asia must respond to these changes by readying itself for a world wherein American power will be much less reliable and predictable. This may mean accepting the rise of China and making accommodation with Chinese power. However, it may also mean that other powers will become more active on a local and global scale. Southeast Asian states have a limited ability to shape the regional strategic and cultural environment. The need for a rules-based international system is a key imperative for future order and prosperity, but that necessity is no guarantee of its success. Even so, the global nature of modern threats improves the chances of states learning to work together more cooperatively.

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1 Trump hung up on Australian Prime Minister Malcolm Turnbull, annoyed that Turnbull was holding him to an Obama promise that the US would accept around 2000 refugees, held in camps outside Australia. In May 2017, Trump’s appearance at a NATO meeting followed by a G7 meeting created further strains in the Western alliance and led German Chancellor Angela Merkel to indicate that Europeans would need to stop “relying” on outside powers. Trump’s decision to pull the US out of the Paris Climate Change Accord further undermined

2 The Trump Administration gave notice that it was prepared to withdraw from the North American Free Trade Agreement (NAFTA), the most significant FTA that the US has negotiated, which binds the economies of Canada, Mexico and the US. It remains to be seen how these new negotiations will unfold, but Trump’s willingness to threaten to upend such a significant trading relationship is not encouraging for those who hoped his trade policies would moderate, once in office.


5 Obama saw the Asia Pacific as a region wherein American soft and hard power would be well-received and could make a considerable difference on local development, as opposed to other regions of the world (such as the Middle East) where pre-existing tribal, religious and ethnic conflicts greatly limited American influence. To the end of his administration, Obama consistently asked his officials about the status of his outreach to Asia. Nonetheless, the US remained distracted and overextended in regions such as the Middle East and Central Asia. Jeffrey Goldberg, “The Obama Doctrine”, *The Atlantic*, April 2016: https://www.theatlantic.com/magazine/archive/2016/04/the-obama-doctrine/471525/.


10 Elms: 1025-1027.


13 Strikingly, a sizable majority of Americans claim to have a positive view of FTAs. 58% said they believe FTAs are good for the US while only 33% said they thought they were harmful. However, majorities also believed that FTAs tended to harm wages. Positive opinions of FTAs tended to track with higher incomes. The people opposed to FTAs, however, are generally much more passionate about their opposition. See: “Free Trade Agreements Seen as Good for US, But Concerns Persist”, *Pew Research Center*, 27 May 2015: http://www.people-press.org/2015/05/27/free-trade-agreements-seen-as-good-for-u-s-but-concerns-persist/.


Significantly, Fukuyama believes that the modern American state is in an advanced state of political decay. Rodrik demonstrates that the more exposed a state is to the world economy, the more it spends on its government as a percentage of GDP. He argues this is because states need to provide social welfare/protection to their societies in order to get their people to accept the disruption caused by economic openness. Rodrik does not include the US as one of these “open” economies because its size and distance from markets means it is more insulated than most states from global economic forces. See: Dani Rodrik, “Why do More Open Economies Have Bigger Governments?”, Journal of Political Economy 106, no.5 (October 1998): 997-1032.

Edward Alden, Failure to Adjust: How Americans Got Left Behind in the Global Economy (New York: Rowman and Littlefield, 2017). Alden argues that the US, as the dominant economy in the world in the 1960s-70s, refused to recognize its need to compete with other, rising states through better social and educational policies. Preferring to leave the market to itself, the US failed to implement the policies necessary for it to compete effectively in a global economy.


Daron Acemoglu, David Autor, David Dorn, Gordon H. Hanson, Brendan Price, “Import Competition and the Great US Employment Sag of the 2000s,” Journal of Labor Economics 34, no. 1 (2016): 141-198. Using assumptions about job losses that would have occurred without the China-WTO membership and looking only at the direct job losses, DeLong argues that China only cost the US around 300,000 jobs.


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Martin Gilens, “‘Race-Coding’ and White Opposition to Welfare”, American Political Science Review 90, no.3 (September 1996): 593-604.


