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What Direction Is the US Pivoting?



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REGIONAL OVERVIEW

How Trump is repositioning the US in Asia

US President Donald Trump is scheduled to make his first official visit to Asia next month. He will attend the Asia-Pacific Economic Cooperation (APEC) summit in Vietnam and the Association of Southeast Asian Nations (ASEAN) summit in the Philippines. In addition, he will make state visits to China, South Korea and Japan. Of the leaders of these five countries, the only one with whom he has not met yet is Philippine President Rodrigo Duterte. He has also met in the US with the leaders of Thailand, Malaysia, Singapore and Indonesia, so he has personal relationships with most of the leaders. This means his trip provides an opportunity to develop these personal relationships more deeply, which should make most Asian leaders more comfortable. In the case of the Philippines, it will provide Mr. Trump with an opportunity to get relations back on track, after Mr. Duterte turned away from the US and cozied up to China shortly after he was elected.

Mr. Trump's advisers will try to convince him to stick to the official script and not improvise in ways that undercut the negotiating positions of his Cabinet secretaries. Two topics are especially sensitive and, if there are any glaring missteps, this is where the biggest vulnerabilities are. One is with respect to North Korea, where Mr. Trump's comments have reduced negotiating room. The other is with respect to trade deficits the US is running with countries like China, South Korea and Japan. With the exception of pulling the US out of the Trans-Pacific Partnership Pact, Mr. Trump's actions on trade policy have not matched his election campaign rhetoric or even statements made since he assumed office. However, it is possible that Mr. Trump will raise his protectionist threats again during his visit. If he does, it could hurt the US alliance with South Korea and Japan at the very time when their unity is most needed in order to apply pressure on North Korea. While there would be some US industries that favor protectionism, many others would be strongly opposed to it, and the differences between Mr. Trump and some of his key Cabinet secretaries could become even more strained.

The issue of North Korea will figure prominently in most discussions Mr. Trump has during his trip. It is also quite likely that Mr. Trump will not spend a lot of time criticizing different Asian governments for their poor human rights records, authoritarian tendencies, and record on corruption. He did not raise these issues when he met with different individual Asian leaders when they visited the US, and he is unlikely to do so in a group setting when he visits Asia. He is not nearly as concerned with how different Asian governments run their affairs or manage their systems than were previous US administrations, and he is much less interested in pushing US standards on other countries than he is in ensuring that he acting in ways that will promote the economic interests of the US.

Mr. Trump might not raise his previous accusations of currency manipulation by countries like China and Japan. His advisers seem to have convinced him that such accusations were not just incorrect but also the actions he was demanding could have done more to hurt than help the US economy. As with his recent speech to the UN, Mr. Trump is likely to repeat that his focus is and will remain on "America First", and that he expects different Asian governments to behave in exactly the same way when it comes to their country. However, the problem with almost all his rhetoric is that Mr. Trump will use words that leave the listener more confused than enlightened. When it comes to positions on most issues, Mr. Trump has none, or rather he is all over the board. It is very difficult to tell what he intends to do. His logic may be that creating this type of confusion somehow enhances his negotiating position, but so far he has nothing really concrete to show for it other than having drawn criticism from some of the closest allies the US has such as Canada, Germany and the UK. The impact is likely to be the same on Asian leaders.

Mr. Trump might also not fully appreciate the positions of other Asian leaders he will be meeting. For example, China's President, Xi Jinping, will have just finished his Party Congress. He used this meeting to consolidate his power and promote his protégés to key positions. Prior to the meeting, Mr. Xi's focus was to show just how much he is in control and not to allow shocks to distract attention. However, now that the meeting is over, he can afford

to be more aggressive. It could be in ways that help Mr. Trump like doing more to shape policy in North Korea, or it could be in ways that put Mr. Xi more at odds with Mr. Trump like challenging the US position more openly with respect to actions in the South China Sea or in dealing with the trade imbalance. It will be very important to watch if Mr. Xi uses the coming APEC and ASEAN summits and state visits to stake out China's position as a force driving Asia, which would put him more at odds with Mr. Trump, or if he tries to stress China's willingness to cooperate and not force certain issues where positions are different.

Similarly, Japan's Prime Minister Shinzo Abe has just won a new mandate from this month's elections. Of all the Asian leaders, Mr. Abe is the one who probably has the closest personal relationship with Mr. Trump. In part, that is because the agendas of the two men are in many ways complementary. Mr. Trump wants Japan to pay more for its own defense and to buy more from the US in order to reduce the trade imbalance. Mr. Abe wants to reform the Japanese constitution to enable Japan to raise its own military profile, and buying more hi-tech weapons from the US is a good way both to bolster Japan's defense and to reduce the trade imbalance. Therefore, unless Mr. Trump makes some serious gaffs that Mr. Abe cannot ignore, he is likely to be the Asian leader that is most supportive of anything Mr. Trump says and does during his visit. However, it remains to be seen if his overt display of being a loyal US ally will have a negative or a positive impact on China's position. That will probably depend on whether Mr. Xi thinks he stands to expand China's influence in the region more if he takes a position that distances China from the US and Mr. Trump or if he stands to gain more by emphasizing where the US and China are in agreement.

The only thing about which we feel fairly certain when it comes to predicting Mr. Trump's position on Asia is that he will favor exactly the opposite of what his predecessor, Barak Obama, tried to do. He has done this with everything else Mr. Obama touched, from health care to the 2015 nuclear agreement with Iran. Mr. Trump's abandonment of US participation in the TPP was an early indication that he intends to do the same thing to Mr. Obama's "Pivot Toward Asia," which, admittedly, never

produced very much that was tangible. Mr. Trump would like the US to profit from Asia's rapid growth, but there could be an incompatibility between his proclaimed desire "to make America great again" and the desire by the individual states of Asia to keep expanding Asia's share of the global GDP, the per capita income of its people, and the ability of the region's largest members to be able to defend their own national security. Globalization was the philosophy that reconciled those two goals, but Mr. Trump seems to favor an "America First" approach that is inherently more protectionist and focused on rectifying the perceived "win-lose" relationships in which he now thinks the US is locked into.

It is unlikely that the coming trip will reassure Asian governments that the US Government can be trusted. Until now, US administrations have stuck to the terms of treaties signed by previous administrations. It did not matter if there was a change in the political party in power. Mr. Trump has undermined that trust by the way he has unilaterally acted with respect to NAFTA, the Climate Change Accord, and the US-Korea free trade agreement. His trip to Asia looks like it will come right after he has tried to get the US to walk away from the nuclear deal the Obama Administration hammered out with Iran in 2015. This action alone could be enough of an excuse for China to take a position that puts Mr. Xi directly at odds with Mr. Trump.

The opposite of Mr. Obama's "US pivot toward Asia" need not be ignoring Asia. Mr. Trump is just as likely to say that Mr. Obama went about his objective all wrong - in ways that gave too much away to Asia at the expense of the US -- and that he is the one with the plan to rectify this imbalance. The problem is that this position might not be received well by most Asian governments, including close allies like South Korea.

In our previous issue of *Asian Intelligence*, Issue No. 981, we looked at two directions in which Asia could go. One involved its individual members keeping their differences compartmentalized and, instead, emphasize cooperation in ways that would provide mutual benefits. The other involved Asia's individual countries focusing more on their differences and points of confrontation. Now we have added another driving variable defining Asia's

future, namely, the philosophy of the US Government. Will that philosophy be based on a win-win model of “one for all and all for one” or will it be based on a win-lose model of “every country for itself.” In other words, will the US place the emphasis of its approach to Asia on strategic partnerships or strategic rivalries? Of course, the future relationship of the US to the region will contain elements of both these philosophies, but it is useful for scenario planning purposes to think in black and white terms, or which philosophy will dominate.

As the graph on the cover of this report indicates, there are four scenarios from these two driving variables. They are as follows:

Scenario 1: The Three Musketeers. In this scenario, the countries of Asia, including China, Japan, South Korea, ASEAN, and the Indian Subcontinent are containing their differences and emphasizing cooperation. At the same time, Washington is trying to work with different governments to deal with issues that all share in come. Such issues could include environmental protection, fighting terrorism, and regulating new technology like the Internet and social platforms so abuse is limited. There might be a new approach to cross-border trade, investment, labor flows and other economic matters, but different governments would strive to coordinate frameworks and prevent imbalances or abuses that could ultimately be destabilizing.

Scenario 2: Asia Rising. In this scenario, the largest countries of Asia focus more on cooperation than internal differences, but the US adopts much more protectionist policies. Intra-Asian business would grow, with China playing the driving role, but major points of internal friction like North Korea’s nuclear threat and fears of China’s intentions in the South China Sea are resolved in ways that reduce the perceived threats to other countries like Japan. Therefore, internal military differences do not dominate relationships. On the other hand, the US might reduce or eliminate its own troop presence in Asia and insist that countries like Japan and South Korea assume more of the responsibility and expense for their own defense. The US erects more barriers to Asian direct investment in the US, especially by Chinese state-owned enterprises in US hi-tech firms.

Scenario 3: Cold War II. This scenario represents a major intensification of the disagreements that currently exist today between the US and China. Cold War I was represented by a divide between the former USSR and the US. Cold War II would see China replace the USSR as the main power, but it would also have Russia as an ally – more than the USSR had China as an ally during most of the original Cold War. Asia will remain divided into different alliances. The biggest divide is potentially between China and Japan, but there are many others, like China and India, and India and Pakistan. The threat from North Korea remains unresolved, and because that threat is also directed against the US, Washington could not disengage from the region even if it wanted to. It will try to maintain a close alliance with South Korea and Japan. Many smaller countries will gravitate more toward China because that is where they see the biggest economic opportunities and support for their own political systems, which in many cases lean toward being authoritarian. On the other hand, other countries will try to keep the US engaged in the region militarily as a counter-balance to China.

Scenario 4: The Game of Thrones. This scenario describes a rather unpleasant world, divided into different camps that are either direct rivals or perennial fence sitters. The former would be the same camps as in Scenario 3, with the main divide being between China and Japan. An example of a professional fence sitter is Thailand, which is unique in never having been colonized by a Western power and which today is unwilling to take sides in such disputes as South China Sea territorial claims. A number of other ASEAN countries would fall into this category. They would want good relations with both China and Japan, and they would also want to capitalize on opportunities that India provides as it develops. Overall, however, in this scenario, economic growth would be slower, trade would, in many cases, be so unbalanced that it causes resentment; terrorist groups and criminals would be able to capitalize on the lack of cooperation between different governments. In order for this scenario to materialize, something would have to happen that significantly reduces the direct military threat to the US posed by North Korea, so Washington feels it no longer needs to stay as engaged with the region militarily. Instead it focuses on the trade deficits it

suffers with South Korea, China, and Japan. US relations with all these governments become more strained. Japan, feeling that the US is much less dependable as an ally, reforms its pacifist constitution and goes on a major military expansion program of its own. This will sour relations with

China and possibly also with South Korea. In this scenario, problems like air pollution and global warming are addressed much less effectively. Factors like race, religion, income levels, and migrant flows remain very divisive.

CHINA

Comments

US Secretary of State Rex Tillerson neatly summed up what President Trump intends to discuss when he visits Beijing next month when he noted three issues, namely, North Korea, the South China Sea and trade. He did not emphasize that he expects the US to receive everything it is demanding, but he wants to see some movement by China. This would give Mr. Trump enough material to boast that his skills as a negotiator are working. However, the reality is that Mr. Trump is likely to come away from Beijing largely empty handed, and he could be hard-pressed to claim that US-China relations are smooth.

First, President Xi Jinping is not going to give an inch on China's policy toward the South China Sea. There is not even much room for Mr. Xi to be polite to Mr. Trump on this issue. For him, the South China Sea is a matter of defense of China's "territorial integrity" and is a cornerstone of his foreign policy. His response to anything that Mr. Trump says is likely to be that it is the US military presence in the region that is destabilizing, not China's.

On the matter of foreign trade, there is more room for negotiation. Mr. Trump will press for better market access for US companies in sectors such as energy, telecommunications and cars. He is also likely to complain about China's protectionist behavior and abuse of intellectual property rights. In response, China will probably criticize the US for acting unilaterally on disputes that should be resolved through the framework of the WTO. It is also likely to criticize the US for blocking recent attempts by Chinese state-owned firms to invest in the US. Mr. Xi will argue that it is really the US that is being protective, while Mr. Trump's position will be that the US is opposing takeovers by Mainland firms that involve technologies with potential military applications. When Mr. Trump met with Mr. Xi in the US last April, the two leaders papered over their differences on trade by agreeing to a "100-day action plan" to tackle their trade disputes. Nothing really substantive has come of this plan, nor is anything substantive likely to come of next month's meeting, but if Beijing and Washington want to put the most positive spin on the talks, they will focus on how much good has come from the original 100-day plan and how outstanding issues will be dealt with in second phase of negotiation. Actually, neither side is likely to give much ground at all.

The most sensitive issue with which Mr. Trump and Mr. Xi will have to wrestle is North Korea. China has made movement here to support the US position, but the question is whether it will be enough from Mr. Trump's perspective. It has definitely not been enough to defuse the North Korea threat, but that could be because China's lacks the leverage to force such a change in policy by Pyongyang. It is possible that the two leaders will agree that North Korea remains the most dangerous issue facing the region and that Beijing will agree to do even more to support the harder-line being advocated by Mr. Trump. However, it is also possible that Mr. Xi will grow so frustrated with what Mr. Trump is demanding from China and so convinced that the basic US approach to the North Korean issue is wrong that Beijing mounts an indirect criticism of Mr. Trump's nuclear deterrence policy by parting ways with Mr. Trump when it comes to preserving the Iran nuclear deal. The Chinese leader would also probably take the opportunity to criticize both Japan and South Korea for aggravating North Korean risks by expanding their own military capabilities. China's line is that such expansion will only make the region more unstable.

HONG KONG

Comments

As of this writing, Financial Secretary Paul Chan is in Vietnam to attend the Asia-Pacific Economic Cooperation Finance Ministers' Meeting. Hong Kong will also send a delegation to the APEC summit scheduled for next month in Vietnam, which means Hong Kong's new Chief Executive, Carrie Lam, will be rubbing shoulders not only with China's Xi Jinping but also Donald Trump of the US and a number of other world leaders.

Hong Kong's membership in and attendance to multilateral gatherings like APEC predate the 1997 handover. Hong Kong gained entry at a time when it was a colony of the UK, and England gave Hong Kong the leeway to join international organizations like APEC, the Asian Development Bank, the WTO, and the World Health Organization. At the time, Beijing did not present any public opposition to Hong Kong's being allowed this kind of space on the world stage, and it is possible that London never even consulted Beijing on the matter. Following the handover, Beijing felt comfortable enough with the arrangement that it did not try to restrict Hong Kong participation in these bodies, and it even gave the greenlight for one Hong Kong official, Dr. Margaret Chan, to assume the post of head of the World Health Organization. However, she held this position not as a delegate from Hong Kong but as from the People's Republic of China.

During this same period, it was conspicuous how Beijing moved to restrict Taiwan's position on the world stage, denying the WHO permission to accept Taiwan as a member. Immediately after the 1997 handover, China's assumed responsibility for Hong Kong's external defense and foreign policy, but it allowed Hong Kong to represent itself on economic bodies like those mentioned above. However, more recently Beijing has been restricting Hong Kong's joining new multilateral bodies. For example, it did not allow Hong Kong to apply to be a founding member of the US-led Transpacific Partnership Pact even though the SAR easily met the qualifications to do so. More telling, Beijing also did not allow Hong Kong to be a founding member of the Asian Infrastructure Investment Bank. As in the case of Taiwan, Beijing said that founding membership was restricted to sovereign countries, which meant Hong Kong did not qualify. It was allowed to join only after the body was set up. This was less a punishment for Hong Kong than a demonstration to Taiwan of Beijing's increasing power to isolate the island.

More recently, Hong Kong had to take direction from Beijing when it came to seizing naval vessels belonging to the Singapore Government that were being transported back to Singapore from Taiwan, where they had participated in defense training exercises. This past month, Hong Kong denied entry to a British activist who was trying to spearhead a group monitoring the city's affairs. The Hong Kong Chief Executive made it clear that China was responsible for Hong Kong's foreign affairs and therefore had the right to bar who it wants from entering Hong Kong.

So far there has been no backlash in Hong Kong to Beijing's new limitations on the SAR. But it is clear that China is increasingly defensive of any criticism by foreign governments of how conditions in Hong Kong are changing, including decisions relating to the treatment of young political activists. President Trump might not raise such issues during his forthcoming APEC visit or his trip to China. His main focus will be to press China to do more to influence developments in North Korea, but he might cause some controversy by threatening sanctions against Chinese banks and companies that do business with North Korea. He is also likely to raise his concerns about China's trade imbalance with the US and how the two governments have differences with respect to China's behavior in the South China Sea.

However, the simple visual impact of having Hong Kong's Chief Executive being treated as a peer with the US and China presidents at an APEC summit is starting to have implications that Beijing would probably like to avoid. For one, it gives Mr. Trump and others in the US delegation an opportunity to communicate directly

with Hong Kong's leaders instead of going through Beijing, which is the process Beijing wants to see followed. Second, it puts Hong Kong's Chief Executive on a stage with China's president in a way that is bad for the optics China would like to convey domestically. No other mayors or provincial governors would be given this kind of status in an international forum, and it would not be surprising if Beijing is rethinking the wisdom of giving Hong Kong this kind of leeway. To be sure, stopping Hong Kong from participating in an international economic forum like APEC – at least at a heads-of-state summit – might be taken up as a grievance by Hong Kong political activists as one more way Beijing is unilaterally moving the boundaries of Hong Kong's autonomy. It could also deny Beijing an extra vote on issues raised in forums like APEC. However, neither of these considerations is likely to have a decisive impact on Beijing's thinking. Hong Kong could still be allowed to participate directly in many APEC meetings and even play a leadership role but as a delegate from the PRC not as an entity in its own right, much as Margaret Chan was allowed to assume a leadership position in the WHO.

This change in Hong Kong's status is not something we have heard anyone discussing. However, it is something those setting policy in Beijing are always reviewing, and now that the Party Congress is over, President Xi and his new team will be much less concerned with being seen to carry on the policies of their predecessors who promoted them. Second terms are when China's leaders have greater flexibility to set their own policy agendas, and, judging from the concern China has been showing about Hong Kong's Localist movement and Taiwan's refusal to acknowledge formally the 1992 Consensus, it is very likely that Beijing will spend more time in the coming five years trying to increase its own influence in both old and new multilateral organizations. Much of this positioning will be designed to raise China's status on the world stage relative to the US and Europe, but it will also be designed to shape China's other priorities like control over Hong Kong and Taiwan.

INDIA

Comments

The US and India try to give the impression of being good allies, linked by shared democratic values and common security interests. Both Washington and New Delhi are extremely critical of Pakistan's perceived failure to eliminate sanctuaries for Taliban fighters and other Islamic militants bent on terrorism. China, in turn, sides with Pakistan and argues that neither the US nor India recognize Pakistan's efforts to fight terrorism and the sacrifices it is making in this effort.

US Secretary of State James Mattis tried to reinforce this US-India defense partnership by traveling to India in September to look for ways to work with India to expand ties in Afghanistan and counter Chinese influence in the region. More recently, US Secretary of State Rex Tillerson said Washington wanted to "dramatically deepen" ties with New Delhi to counter China's influence in Asia. Based strictly on these factors, the current scenario path is leading to Scenario 3: Cold War II, insofar as India is at odds with both China and Pakistan, while the US is staying engaged in the Asian Subcontinent through its alliance with India, which includes additional military exercises in the Indian Ocean and potential defense sales (India is particularly interested in purchasing American jet fighters).

However, as in the case of South Korea, where President Trump has complicated the relationship by applying pressure on Seoul to renegotiate the US-India Free Trade Agreement, he has also irked India by publicly suggesting that Washington might impose commercial penalties on India if it does not provide more economic aid to Afghanistan and take other steps to promote that country's stability through economic revitalization. Furthermore, Mr. Trump has threatened to review a work visa program that Indians use heavily in order to gain entry into the US for employment.

Mr. Trump's threats could cause India to have second thoughts about relying on the US as a key strategic partner. If the US-India alliance remains no more than skin deep, it would imply that India has to look for other allies such as Japan and South Korea. It would also imply that Asia is heading in the direction of Scenario 4: The Game of Thrones.

What makes the split between India and the US on one side and Pakistan and China on the other somewhat incongruous is that both China and the US face terrorist threats stemming from how the Afghanistan situation unfolds. It is in the interest of both major powers, as well as of both India and Pakistan, that the Taliban be soundly defeated and Afghanistan be put on a more stable political and economic growth path. The US is still incurring military casualties from its engagement in Afghanistan. China has its own problems between militant groups in Afghanistan and Islamist militants in China blamed for terrorist incidents in Xinjiang Province. The Taliban militants that have sought refuge in Pakistan have compromised that country's sovereignty and internal security, and they are a threat to India in Kashmir and as external agents supporting India's domestic Islamic terrorism movement.

Dealing with the militant threat from Afghanistan should be a factor that unites China and the US just as it should Pakistan and India. The fact that it is not is reason for being pessimistic that Scenario 1 or Scenario 2 could actually materialize. There could yet be developments that cause the different parties to adopt a common approach not only to eliminating the Taliban threat but also to supporting Afghanistan's peaceful development, but at this point it is not at all obvious what those developments could be and differences between India and Pakistan are a component of the strategic rivalry between the US and China.

INDONESIA

Comments

More than most other Asian countries, Indonesia felt a particular affinity toward Barack Obama, since he had lived in the country as a youth. He visited the country several times during his two terms in office, and throughout that period, Indonesia-US relations were stable and cordial. It is perhaps surprising in view of the way Donald Trump has criticized almost everything Mr. Obama did as being the wrong policy for the US that he has not criticized his Indonesian policy too.

To be sure, the Trump Administration has put Indonesia on a list of 16 countries whose trade surpluses with the US will be put under review. A series of disputes between Indonesia and American firms has also ruffled ties, but so far relations have remained stable. Indonesia has moved to reach a mutually satisfactory end to the biggest corporate dispute – with Freeport McMoRan – and Jakarta probably earned favorable points by signing US\$10-billion worth of deals with US companies when Vice President Mike Pence visited Jakarta last April. Among the 11 agreements were ones by Exxon Mobil (the company that was formerly headed by Secretary of State Rex Tillerson) to sell liquefied natural gas to Pertamina, Lockheed Martin to provide upgrades to the Indonesian Air Force's F-16s, and General Electric to develop electrical infrastructure in Indonesia.

Whereas improving relations with Indonesia figured prominently in Mr. Obama's strategy to pivot more toward Asia, Mr. Trump has offered little in the way of a policy vision for Southeast Asia. The main issues he is likely to press during his November visit to the region are gaining Southeast Asian support for applying pressure on North Korea to abandon its nuclear program and in emphasizing US views on keeping the sea and air lanes of the South China Sea open for navigation.

Where change has taken place under Mr. Trump relates less to government-to-government relations than to how the Indonesian public views of the US. Mr. Trump's careless rhetoric, which at times has sounded

Islamophobic, and the perception that his initial attempts to restrict immigration to the US were focused on keeping Muslims out have made him unpopular among many Indonesians. It is likely that the US's high approval ratings in Indonesia – which rose from 30% to 70% upon Mr. Obama's election and have stayed consistently above 50% ever since — will fall back further.

However, it is doubtful that a spike in public disapproval will significantly affect bilateral relations. Indonesian foreign policy traditionally has not been overly sensitive to public opinion. Moreover, for a number of months now, Indonesia has been sending a string of senior Cabinet officials, including President Widodo, to the US to cultivate a relationship with the Trump Administration and to get US companies that do business in Indonesia to lobby on the country's behalf in stressing Jakarta's desire not to have potential points of controversy cloud the relationship.

JAPAN

Comments

Japan's Prime Minister Shinzo Abe has cultivated a close personal relationship with Donald Trump. From Mr. Abe's perspective, his own policy priorities dovetail quite nicely with Mr. Trump's priorities. Mr. Trump wants Japan to shoulder more of the financial burden for its defense and to do more to reduce the trade imbalance in Japan's favor. Mr. Abe wants to raise the profile of Japan's own military capabilities, and his desire to buy more weapons and anti-missile defense systems from the US should do a lot to correct the trade imbalance. Mr. Abe closely supports Mr. Trump's hardline approach to dealing with North Korea. Both men are critical of China's approach to expanding its presence in the South China Sea. Perhaps the only major point on which the two leaders differ is over the exchange rate. Mr. Trump would like to see a stronger yen in order to make US exports more competitive to Japan, whereas Mr. Abe would like to see a weak yen for the time being in order to support his program to stimulate the Japanese economy. So far, Mr. Abe is getting his way when it comes to the exchange rate.

Although Mr. Abe has just won a big victory in the snap election he called for October 22, there are concerns that the Japanese public might be tiring of his leadership. He has suffered a fall in popularity due to a scandal involving allegations of influence peddling, and many Japanese do not want to see him serve as prime minister for a third term (his current term expires next year). Until now, Mr. Abe has been helped by his ability to coordinate his own policies with those of the Trump Government and by the fears generated by North Korea's behavior, it is possible that these two factors could start to work against him. First, Mr. Trump's personal image among average Japanese is poor and that fact that Mr. Abe appears to get along so well with him could raise even more questions about Mr. Abe's ethical standards. Second, while average Japanese fear North Korea, they are not yet sold on the need to revise Japan's pacifist constitution, and the debate of this issue is bound to intensify.

The more the Trump Administration becomes controversial at home and abroad, the more Mr. Abe's close personal relationship with the US leader could turn from being an asset to a liability. This will not happen quickly, and next month's state visit is likely to underscore still further both how closely aligned the US and Japan are and how Mr. Abe and Mr. Trump are friends. The two men will speak as one when it comes to dealing with North Korea, and while both will be polite in talking about China, it is likely to be clear that both view the Mainland more in terms of being a rival than an ally. Trump will prod Japan on the trade imbalance, but not in the threatening way he has done to South Korea. Mr. Abe sees the future mainly in terms of the Cold War II scenario, and he considers a close relationship with the US to be Japan's only real option. Mr. Abe has also made the rounds to many nations, visits that have paid off in stronger ties to Vietnam, Myanmar, Australia and India. The main objective has been to enlist countries in an alliance to counteract China's rise.

However, Mr. Abe has his critics both inside and outside Japan. They think he needs to shift from a policy of security encirclement of China to a policy of wholesale regional cooperation and inclusion with China and South Korea at its center. They argue that the economic benefits of a reinvigorated commercial partnership with China are obvious for a slow growth economy such as Japan. Moreover, a closer relationship with China will enhance Japan's chances for containing the threat from North Korea, while treating China as a national security threat and economic rival will only aggravate that threat. Moreover, those who consider the US to be an unreliable ally argue that outreaching to China is the best way to position Japan no matter whether the US stays engaged in Asia or turns more inward as it now seems to be doing.

MALAYSIA

Comments

When Donald Trump was first elected US president, the Malaysian Government and political analysts there had six major concerns:

1. That the US might impose a ban on Malaysians trying to travel or immigrate to the US;
2. That protectionist measures in the form of tariff and non-tariff measures might adversely affect trade relationship between US and Malaysia;
3. That the years spent negotiating the Trans-Pacific Partnership Agreement might be wasted;
4. That US disengagement from Asia might push Malaysia more into China's embrace than Kuala Lumpur really felt comfortable going; and
5. That the change in the US Administration might complicate either the resolution or cover-up of the 1MDB scandal.

Now, one year later, most of these concerns have faded. Malaysians have not been affected by US moves to restrict travel. During his recent state visit to the US, Malaysian Prime Minister Najib Razak was warmly received by Mr. Trump. The issue of 1MDB was not raised at all, and Mr. Trump praised the trading relationship, stressing how favorably he view Malaysia's recent purchase of US airplanes and its investments in the US. On the other hand, the TPP is dead, which means Malaysian negotiators did waste their time, and Kuala Lumpur has moved more into the China camp.

The political opposition in Malaysia is probably more bothered by Mr. Trump's election than is the coalition government. Mr. Trump has little time for their complaints about human rights abuses and their allegations of corruption. Even worse, the political opposition in Malaysia fears that a US that no longer champions democracy and human rights might provide moral cover for Najib to further suppress freedoms. They could be right.

PHILIPPINES

Comments

By the time of the ASEAN Summit in Manila on November 12-13, the leaders of China, Japan and the US might be so tired of each other's company that the smiles on their faces start wearing very thin. There will be plenty of speeches emphasizing how the various countries of ASEAN are cooperating with each other. ASEAN's ties with non-member powers like China, Japan and the US will also focus on the positive. Still, the group will not be able to hide its differences completely.

The behavior of the Philippine President Rodrigo Duterte will be an important factor tilting the balance in perceptions to either regional cooperation or rivalry. The meeting is supposed to be about ASEAN, so the gathering will try to emphasize unity. However, there is unlikely to be any common ground when it comes to discussing specific major issues like a code of conduct for the South China Sea.

The main differences with this ASEAN Summit compared with previous one relate to the position of the Philippines. Although Mr. Duterte has softened his anti-US rhetoric and seems to be willing to speak respectfully about President Trump as long as President Trump speaks respectfully about him, the Philippines president has oriented his government more toward China and, in the process, so softened his confrontational approach to disputed territory that China now has a much freer hand. Consequently, the balance of opinion within ASEAN has shifted even more away from Vietnam's position that ASEAN should take a united stand against China in defending their territorial claims.

Moreover, because of Manila's shift toward China, Beijing is in a stronger position to emphasize its claims and to criticize the US for allegedly causing instability in the waters by conducting military exercises the way it is doing.

Still, hosting the summit means Mr. Duterte will have a platform to highlight his priorities for the region. Judging from recent statements, that could include more help from Indonesia and Malaysia in fighting piracy in the waters separating them, as well as in policing against Islamic militants and drug smugglers moving across borders. He will also probably stress his aspirations for the Philippines to be included in China's One-Belt, One-Road program so it can receive investments and financing support for major infrastructure projects he has been promising. What could be interesting is how little interest US President Trump shows in these programs. It will be left to Japan to present itself as an alternative to China for this kind of support, but Prime Minister Abe is likely to respond in only a mildly encouraging way.

SINGAPORE

Comments

Singapore is a firm supporter of ASEAN's goal of building a strong, prosperous and rules-based ASEAN, while Singapore's view of APEC is that it is the premier forum for facilitating economic growth, cooperation, trade and investment in the Asia-Pacific region. Singapore does not see either forum as being a vehicle for the US and China to compete for regional influence, and it will try to steer clear of any disputes that might erupt between the leaders of China, the US or Japan at the meetings in Vietnam and Manila. It will also keep a low profile in most of the intra-ASEAN differences, be it over Myanmar's treatment of the Rohingya Muslim minority or outstanding territorial disputes. Where there is common ground is in the desire to coordinate better on disaster relief and other regional disasters and fight terrorism.

Where Singapore differs from many other ASEAN and APEC members is that while all members would like these organizations to offer a framework for greater cooperation, Singapore is the Southeast Asian country that probably places most emphasis on the need for these frameworks to be rules-based as much as possible. Other Southeast Asian countries and China are more flexible. Beijing rejects the legitimacy of rulings by bodies like The Hague's Permanent Court of Arbitration since that could jeopardize its South China Sea claims. In contrast, Singapore respects such bodies since it has its own aspirations to make Singapore an international arbitration center and to raise the stature of its International Commercial Court. The governments of other countries like Malaysia and China might be willing to enter into big-ticket joint ventures that lack transparency precisely because of controversial political dimensions, but Singapore has set standards for its state-linked firms that would preclude them from participating in such deals.

When it comes to many issues, Singapore's leaders probably have a bias that favors the US in terms of standards and a desire to keep the US engaged in the region both economically and militarily. However, they are also pragmatic and know that China is becoming a more important force than the US in driving the economies of Asia and that Singapore's economy is closely tied to the success of China's economy as well as those of immediate neighbors like Malaysia and Indonesia. It cannot be seen to being wedded to any one camp, and in the coming summits in Vietnam and the Philippines, one of the attributes Singapore will almost certainly try to display to the leaders of both the US and China is that Singapore might be better able than most countries to ensure that Beijing and Washington clearly understand each other and do not make mistakes by assuming one side or the other is bluffing when that is actually not the case.

Playing this kind of trusted advisor or interpreter role to Beijing and Washington means Singapore will have to keep its own biases in check on many issues on which it actually has strong views. For example, in order to be credible to both China and the US, Singapore will have to keep to itself perhaps more than it would like its own views on how different countries should conduct themselves in their use of the South China Sea. It will not be able to enthusiastically support or reject boycotts like the kind Mr. Trump would like to mount against North Korea, and it will not be able to be as forceful in asserting its own position regarding the kind of relations it can conduct with an entity like Taiwan in order to avoid offending Beijing to the point where China's leaders feel uncomfortable in their own relationship with Singapore's leaders.

SOUTH KOREA

Comments

South Korea's Finance Minister, Kim Dong-yeon, succinctly outlined Seoul's basic problem in managing its relations with China and the US when he recently said: "We had a high reliance on trade with the US, and now we have a big reliance on trade with China. Given the ongoing situation and the geopolitical risks today, there has been an amplification of the need to diversify."

Korea is presently wrestling with problems with both China and the US. In the case of China, Seoul wants Beijing to do more to pressure Pyongyang to cease its program to develop nuclear capabilities. Beijing's failure to do enough to date to satisfy Seoul has prompted Korea to expand its own defense capabilities, including deployment of the THAAD anti-missile defense system, which China considers to be a threat to its own national security. However, Beijing is so unhappy with Seoul's decision to deploy THAAD that it has adopted economic sanctions against the South, actions that have hurt Korean business in China and the flow of Chinese tourists to Korea.

Even while Seoul is coping with chilly Chinese relations, President Trump has threatened to pull out of the US-Korea Free Trade Agreement. The 30% reduction in Korea's trade surplus with the US that has taken place so far this year does not seem to be enough to convince Mr. Trump to tone down his threats. At the same time, the US President has undermined his own Secretaries of State and Defense by failing to give Korean President Moon Jae-in full credit in supporting the hardline position of the US with respect to addressing the increasing threat posed by North Korea. Just as Mr. Trump has hurt the status of his own Secretary of State by saying he is not tough enough in dealing with North Korea and should not waste his time negotiating, he has also failed to appreciate how strongly Mr. Moon has been in backing up the US negotiating position. The US president's labeling of Mr. Moon's policy toward Pyongyang as being one of "appeasement" is grossly inaccurate. It is certainly not giving President Moon any reason to trust Mr. Trump or the word of the US Government to fulfill its commitments on either economic or geopolitical matters. The South Korea leader probably also has his doubts that Mr. Trump would be as protective of the lives of average South Koreans when it comes to exposing them to an attack by the North as he would be protective of Americans.

The Korean Government is probably preparing for all four scenarios outlined in the Regional Overview of this report, but the one they probably consider to be the most likely in the medium-term is Scenario 4: The Game of Thrones. The South might be on a peninsula, but with a northern neighbor bent on conquering it, Korea feels more like an island. It has been forced to enter into an alliance of convenience with Japan. Still, Korea harbors a big distrust of Japan – perhaps even more than it does of China – and if Tokyo amends its pacifist constitution, the South would feel even more threatened. Seoul is trying to develop more cordial relations with China and Russia, but the strains in relations with both these countries is obvious. And, now, while it might not feel abandoned by its closest and most powerful ally, the US, the dependability of that ally is increasingly in doubt.

Seoul feels uncomfortable with the protection offered by any of the existing “camps” in which it has belonged since the end of the Korean War. It therefore has to look to different places for allies, which is one reason it has been so aggressive recently in trying to strengthen ties with countries like Vietnam and India. Those ties so far are defined mainly in economic terms, but they are likely to include more military cooperation. Seoul’s goal in this Game of Thrones will not be to defeat its rivals but to be able to deny them the leverage over the South they would like to exert in order to pursue their own agendas more freely. South Korea, like India and Vietnam, has no intention of playing the role of anyone’s pawn. As Asia’s footprint in the world grows relative to those of the US and Europe, the South is likely to be one of the Asian countries where nationalism is strongest, interfering with the ability of both China and Japan to dictate the terms of Asian interaction.

TAIWAN

Comments

Donald Trump will not be visiting Taiwan during his forthcoming trip to Asia. There is a small chance that he might encounter a Taiwanese official in Manila or Hanoi – but only a small one, and it will probably never be made public, which is just what Beijing wants to see.

Mr. Trump might make public comments that indicate the willingness of the US to maintain a presence in the South China Sea. China’s President Xi Jinping can easily counter-punch this challenge in a way that will make him look tough at home, which is how he wants to appear in the immediate aftermath of the Party Congress. However, if Mr. Trump during his trip were to show support for Taiwan the way he did immediately after the US election, it would cause serious damage to US-China relations and should be taken as a sign that the region is headed toward Scenario 3: Cold War II.

Common sense makes this scenario unlikely, but Mr. Trump has ignored common sense in so many of his statements and tweets that we cannot rule out the possibility. It is certainly something all his military advisers would strongly advise against. They want Mr. Trump to stick to a script that stresses US support for Scenario 1, in which Asian countries come together and join the US in pressuring North Korea to end its nuclear program. If that does not happen, Mr. Trump will stress he is prepared to act unilaterally to defend the US, South Korea and Japan, i.e., Scenario 3.

There is no space in either Scenario 1 or 3 for any formal mention of Taiwan’s status. Scenario 2 also does not have major immediate negative implications for Taiwan. In this scenario, the US ceases being a counterbalance and Taiwan is more on its own in negotiating its status with Beijing. However, Japan is not militarizing in this scenario and has more of a cooperative relationship with China than a confrontational one. China is also winning over support in Southeast Asia by stressing its role as a good neighbor who can contribute to their growth rather than as a bully who wants to act at their expense. In this type of environment, it would be

consistent for Beijing to adopt a long-term approach to settling the Taiwan issue – one that gives Taiwanese a degree of comfort that they lack today.

This leaves Scenario 4, which is very bad from Taiwan's perspective. Might makes right, and Taiwan will lack the allies to mount an adequate defense against China, which would be increasingly aggressive in pushing for an end to the Taiwan impasse. The feelings of average Taiwanese would not be a major consideration in this scenario at all. China's leadership would want to act in order to demonstrate to its domestic audience how strong it really is and how serious it is about achieving major foreign policy objectives.

THAILAND

Comments

When Thai Prime Minister Prayuth Chan-ocha met Donald Trump at the White House recently, the Thais "sensed the friendliness" of the president, according to government spokesman General Werachon Sukundhapatipak who was there as an interpreter. He described Trump's demeanor as "humble" and that it was he who first reached out to restore friendly relations that had cooled during the Obama presidency.

The spokesman was intent on correcting impressions that Prayuth had gone cap in hand to Washington seeking the president's endorsement of his military regime that had seized power from an elected government, insisting that Prayuth had never asked for that. A distinctly positive perception of Trump is clearly evident in government circles and on the conservative side of politics who now are confident Trump will continue to support a military-dominated government as Republican presidents have done in the past.

Plenty of Thais see Trump in the same way as those who voted for him, as a rejuvenator and new broom. They like his strong-man persona just as they admire belligerent features in their own leader, General Prayuth. Thai perceptions of Trump are one dimensional as they are shaped mainly by factors that directly affect Thailand. They are much less concerned about Trump's handling of wider issues such as the North Korea crisis, the standoff in the South China Sea and with Iran while his approach to racial issues and attacks on the media have attracted little attention.

Those perceiving him as bad for Thailand of course include those who want an end to military rule. They realize that Trump has now given the junta additional legitimacy and right to govern, developments that will further delay a return to democracy. These beleaguered groups look in vain for backing from regional neighbors where authoritarian rule also is in place.

Earlier, Trump's threat to launch a trade war in order to secure better deals for the US caused a lot of worry among the Thais but those fears have eased since the president moderated his bluster. However, the threats remain and Thailand has already agreed on new deals that will cost it money. This has been recognized by few Thais but protesters in Bangkok recently showed they were aware of the costs incurred when Prayuth at his talks in Washington undertook to open the Thai markets for large quantities of American pork and coal. Those imports will cut the Thai trade surplus with the US as demanded by Trump. Farmers, complaining that this is the first time the Americans have tried to enter the pork market, converged from all over the country with posters depicting Trump as a sharp-fanged pig. They claim that cheap US imports will destroy their industry and the livelihoods of 300,000 farmers. Some protesters appealed to Trump "don't turn us into your enemy."

Bangkok leaders are disappointed that Trump will miss Thailand on his trip to Asia next month. They regard such events as symbols of friendship. When Prayuth meets him at the APEC conference in Vietnam, the Thais before anything else will seek credible confirmation from Trump that he will not retreat from the region

and will stay fully engaged. But even if the Thais are not satisfied on that question, they will not rush to embrace alternatives. They will not seek to upgrade relations with China to a higher level than they are now.

The Thais will also be looking for progress on some other bilateral issues: Thailand's suggestion for the formation of a "strategic partnership committee" to boost US-Thai trade and investment and to strengthen cooperation on technology and education. The Thais advanced this idea after it reluctantly agreed to a similar bilateral arrangement proposed by China.

The Thais will also be hoping for signs that the Americans will remove Thailand from the priority watch list, on which it was placed because of its inadequate efforts to combat human trafficking and abuse of intellectual property rights. The Thais argue that they are now doing enough to be freed of that stigma.

VIETNAM

Comments

The gravitational pull of China on Vietnam is increasing. China's economic size and military power, combined with its close proximity, make it a force with which Vietnam's leaders know they have to co-exist, but they are also determined not to be sucked completely into China's sphere of influence. Hanoi is not going to give up its territorial claims simply because China says it should. Neither is it about to allow the economy to become so dependent on China that it gives Beijing leverage to dictate trade and economic policy to Vietnam.

Hanoi has centuries of practice in defending its interests against its much larger northern neighbor. It has actually stood up to China militarily when forced to do so, but its main strategy has been to cooperate with China when it can but also develop alternative relationships that can help reduce its dependency on China. In the past these have included Russia. More recently they have included India, Japan and South Korea, and ever since re-establishing relations with the US, Hanoi has looked to the US as a more important market for its products than is China and also to play a counterbalancing role militarily to China in the South China Sea.

So far, the most disappointing action of the Trump Administration from Hanoi's perspective was Mr. Trump's decision to abandon the Trans-Pacific Partnership Pact before it even had a chance to get off the ground. This has not only placed a damper on Vietnam's hopes to keep growing its exports to the US at a rapid rate, but also has raised the likelihood that China's relative importance as a market, supplier and investor could grow more than Hanoi would like.

However, Mr. Trump has not yet reduced the US commitment to use its military to keep the sea and air lanes of the South China Sea open. Washington has also been more willing to work with the Thai military regime than was the Obama Administration, and this should make it easier for Thailand to keep doing its own delicate balancing act.

On the other hand, US relations with neighboring Cambodia have deteriorated sharply this year, which means that the Hun Sen regime is likely to move even closer to China. Cambodia and Laos are also both likely to be recipients of major infrastructure investments from China, including both road and rail systems, which would potentially expose Vietnam to new military risks by giving Chinese troops an ability to attack Vietnam from the ground along Vietnam's western border instead of just along the northern border.

China has also had so much success wooing the Philippines that the Duterte Government has effectively stopped confronting China over disputed territory in the South China Sea. The has denied Hanoi its most important ally in ASEAN in this dispute, leaving it more isolated to challenge China on this issue.

Hanoi's leadership has never been completely united in their enthusiasm for relying on the US to play the role of a counterbalance to China. A large faction of the leadership has remained deeply suspicious not just of the ultimate intentions of Washington but even more of its being trustworthy. Multiple action of the Trump Government has only fortified this skepticism of the reliability of the US to stick to its word. The decision to abandon the TPP was one example, but more significant recent ones have included the Mr. Trump's push to revise NAFTA, to re-examine the US commitment to NATO, and, now, to walk away from the nuclear agreement reached with Iran. From Hanoi's perspective, it cannot afford to gamble on depending too much on the US any more than it can risk letting China have too much leverage in its relationship with Vietnam.

This means Hanoi is probably preparing strategies to manage all four of the scenarios outlined in the Regional Overview of this report, but its leaders are probably leaning more toward with the Scenario 2 (Asia Risking) or Scenario 4 (The Game of Thrones). Their preference would be for Scenario 2, since that is the one in which regional cooperation would prevail, reducing national security risks and enhancing economic development prospects. However, Vietnamese realists are more likely to be drawn to the Game of Thrones scenario, in which intrigue and conflict figure prominently.

EXCHANGE RATES

<i>Currency</i>	<i>10/20/17</i>
Chinese renminbi	6.6221
Hong Kong dollar	7.8033
Indian rupee	65.1150
Indonesia rupiah	13,523
Japanese yen	113.52
Malaysian ringgit	4.2250
Philippine peso	51.5420
Singapore dollar	1.3612
South Korean won	1,132.31
Taiwan dollar	30.24
Thai baht	33.190
Vietnamese dong	22,719

Commercial middle rate expressed in terms of US\$1.

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Political & Economic Risk Consultancy, Ltd.
 20th Floor, Central Tower
 28 Queen's Road, Central, Hong Kong
 Mailing address: G.P.O. Box 1342, Hong Kong

Tel: (852) 2541-4088
 Fax: (852) 2815-5032
 E-Mail: info@asiarisk.com
 Web site: <http://www.asiarisk.com>

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