

Will “America First” Leave America Alone? – The Trump Administration’s Trade Policy in the Indo-Pacific Region



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President Donald Trump withdrew the United States from the Trans-Pacific Partnership (TPP) in one of his first acts in office on Jan. 24, 2017. The withdrawal was an early demonstration of his nationalistic, “America First” trade philosophy. Trump’s initial argument behind leaving the TPP was that the US, and American workers in particular, would be worse off in the trading bloc. He also insisted that he was a tougher negotiator than former President Barack Obama and that he could negotiate a better deal for Americans. Three and a half years after leaving the TPP, however, the Trump administration has not produced a trade framework in the Indo-Pacific region to surpass, let alone rival, the TPP. Instead, the US may be more isolated from its economic partners in the region today than it was in 2016.

The reality of growing Chinese economic influence – the impetus behind the TPP – has not changed since Trump came into office. Instead, Asian countries continue to weigh the benefits of the Regional Cooperative Economic Partnership (RCEP), a proposed trade bloc that could bring Southeast Asia and India closer to China, while China continues to offer massive infrastructure financing through its expansive Belt and Road Initiative (BRI). As China actively worked to expand its economic clout in the region and around the world, the Trump administration slowly moved ahead with its plans for bilateral trade negotiations with countries it could convince. The result of these efforts is a limited, Phase One agreement with Japan, another limited, Phase One deal with China focused on increasing US agricultural exports to the country, and a series of smaller, industry-level agreements with other countries in the region.

Obama Administration Approach to TPP

After eight years of negotiations, the US, Australia, Brunei, Canada, Chile, Japan, Malaysia, Mexico, New Zealand, Peru, Singapore, and Vietnam signed the TPP on Feb. 4, 2016. The expansive agreement included 30 separate chapters focused on areas such as agriculture, autos, digital trade, worker rights, environment, and intellectual property rights (*Photo 1*).

In some ways, the TPP was considered the trade agreement of the future due to its enhanced labor, environmental, and intellectual property standards, and due to the inclusion of a chapter on digital trade. In one respect, the agreement was intended to build upon and modernize existing US free trade agreements (FTAs), most notably the North America Free Trade Agreement (NAFTA) with Canada and Mexico. The TPP also bolstered existing US FTAs with Australia, Chile, Peru, and Singapore for the 21st century. For the remaining five countries involved in the TPP – Brunei, Japan, Malaysia, New Zealand, and Vietnam – it offered an opportunity to expand or deepen economic

ties with the US.

For the US and Japan, the TPP created an opportunity for the two countries to pursue an economic relationship to match and complement their longstanding bilateral security alliance. Under the guise of tying Japan’s economy with that of the US, the TPP enabled Japanese negotiators to counter domestic resistance to trade in areas such as agriculture by leaning on the strategic imperative of using the agreement to mitigate Japan’s growing economic dependence on China.

The TPP was also expected to encourage growth in US trade with Vietnam and Malaysia, two countries with high trade barriers and yet increasing levels of trade with the US. For Vietnam specifically, the agreement was expected to support the government’s economic liberalization efforts, expand US access to Vietnam’s rapidly growing market, and simultaneously reduce Vietnam’s economic dependence on trade with China.

The Obama administration advertised the TPP as an agreement with adequate protections to protect US jobs, and with tariff reducing, trade-opening provisions to reduce costs for US consumers. In support of these claims, the US International Trade Commission’s 2016 report on the expected outcomes of the TPP found that upon entering the TPP, US annual real income would increase by an additional 0.34% after 15 years. US officials also highlighted the TPP’s important strategic benefits. For example, then-US Trade Representative (USTR) Michael Froman noted in a June 2014 speech, “Beyond its impact on jobs, growth and the strength of the US economy, trade negotiations are strategic because they are the mechanism by which we define the rules of the road, the standards countries should adhere to, the norms which create a sense of fairness among economies, and the mechanisms by which disagreements – as they inevitably arise – can be peacefully resolved.”

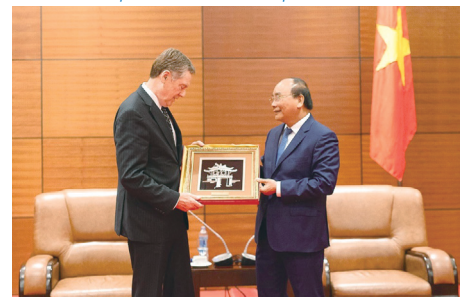
PHOTO 1: Government of Chile via Wikimedia Commons



A summit with leaders of the (then) negotiating states of the TPP. From left: Naoto Kan (Japan), Nguyễn Minh Triết (Vietnam), Julia Gillard (Australia), Sebastián Piñera (Chile), Lee Hsien Loong (Singapore), Barack Obama (US), John Key (New Zealand), Hassanal Bolkiah (Brunei), Alan García (Peru), and Muhyiddin Yassin (Malaysia).



Members of the Communications Workers of America union gather in Omaha, Nebraska to protest the TPP in 2016.



Lighthizer welcomed to APEC 2017.

After the TPP was signed, the Obama administration failed to convince the US Congress to ratify the agreement. Despite its projected benefits, the TPP was rejected by the anti-trade labor movement in the US, and subsequently vilified during the political debates leading up to the 2016 presidential election (Photo 2). As part of his strategy to attract blue-collar workers in the Midwest, Trump argued during his 2016 presidential campaign that trade agreements such as the TPP, which he claimed as one of the “worst trade deals in history”, undermined US workers and hurt manufacturing. Similarly, Democratic candidate Senator Bernie Sanders argued that free trade agreements benefited corporations at the expense of everyday Americans. Pressured by the rhetoric from both the right and the left of the US political spectrum, the eventual Democratic nominee for president, Hillary Clinton, was forced to pivot to an anti-TPP stance despite her role in negotiating the TPP during her tenure as Obama’s Secretary of State.

Consistent with his 2016 platform, Trump withdrew from the TPP within days after his inauguration, on Jan. 24, 2017. The TPP never entered into effect after US withdrawal from the agreement. Instead, the remaining 11 signatories revived the agreement as the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP), which went into effect on Dec. 30, 2018.

Evolution of the Trump Administration’s Trade Priorities in the Indo-Pacific

At the bureaucratic level, the Trump administration initially sought to negotiate bilateral trade agreements with US partners in the Indo-Pacific region as a replacement to the TPP. The USTR’s 2017 Trade Agenda report, published in March 2017, noted that these bilateral agreements would “present unique opportunities to engage our Asia-Pacific partners in areas in which the TPP failed to provide adequate market access of American-made goods and agriculture products.”

This push continued after the swearing in of Trump’s US trade representative, Robert Lighthizer. Lighthizer’s first official overseas visit was to Hanoi for the Asia-Pacific Economic Cooperation (APEC) trade ministers meeting in May 2017. In his public statement on the meeting, Lighthizer noted: “It was important to me to come to APEC first and foremost to reaffirm the president’s strong commitment to promoting bilateral free and fair trade throughout the Asia-Pacific region.” Afterwards, Lighthizer met with Vietnamese officials to discuss bilateral trade. Lighthizer and other USTR officials also met with officials from other TPP signatories, including New Zealand, Japan, Malaysia, and Cambodia, between June and September for bilateral trade discussions (Photo 3).

Despite the administration’s initial groundwork towards bilateral trade deals to replace the TPP, Trump’s November 2017 speech at APEC laid out a fairly stark vision for US trade in the region. In it, he outlined his vision for a renewed economic partnership between the US and the Indo-Pacific region based on his “America First” trade philosophy. Trump emphasized that the US would no longer accept massive trade deficits with its trading partners; instead the US would promote fair and reciprocal trade relationships. In his speech, Trump

vowed that the US would put America’s interests first and foremost, and no longer allow other countries to – in his words – take advantage of the US.

Essentially, for Trump, international trade was not about geostrategic considerations or economic influence. Instead, under the “America First” vision, increasing US exports and supporting protecting US industry manufacturing and workers were now the most important guiding principles for US trade policy in the Trump era.

By mid 2018, the Trump administration trade policy evolved to implement this “America First” approach. Indeed, the USTR’s 2018 Trade Agenda Report embraced this approach, and noted that US trade policy would now officially be driven by: support for US national security; strengthening the US economy; negotiating better trade deals; enforcing US trade laws, and; reforming the multilateral trading system. Initially, the 2018 Trade Agenda prioritized renegotiating NAFTA with Canada and Mexico, and the nascent US-Korea Free Trade Agreement (KORUS FTA). The Trump administration also prioritized discussions for a bilateral FTA with Japan, the largest economy among TPP signatory countries. For the other four countries, namely Vietnam, Malaysia, New Zealand, and Brunei, Trump was still willing (if not eager) to engage with them on trade issues.

US Trade with TPP Signatories During Trump’s First Term

The effectiveness of Trump’s “America First” trade policy can be assessed through a variety of metrics. For example, has the US been able to conclude comparable trade agreements with CPTPP countries? Or, has Trump met his own standards for improved trade outcomes, by increasing US exports or decreasing the US trade deficit with CPTPP countries?

Since 2017, the Trump administration has concluded agreements with its top three trading partners among the CPTPP’s signatories: Canada, Mexico, and Japan. These agreements have modestly deepened economic ties with major trade partners, created additional opportunities for US exports to these countries, and thus helped Trump to at least nominally achieve his goal of increasing market access for US exports. Yet, the lack of substantial agreements with other TPP signatories, particularly those that do not have FTAs with the US, is a clear weakness in the administration’s approach.

The administration’s most notable accomplishment with TPP signatories is the completion of the United States-Mexico-Canada Agreement (USMCA), which went into effect on July 1, 2020. USMCA is a comprehensive trade deal that updated NAFTA by including enhanced labor and environmental protections, stricter rules-of-origin for trade in the automobile sector, as well as additional provisions to account for developments in digital trade and other areas that NAFTA

did not address. Interestingly, although Trump was quite harsh towards the TPP, the USMCA in fact borrows from and builds upon the TPP provisions that the US, Canada, and Mexico had already agreed to in 2016. In this sense, the USMCA is a modernized TPP with tweaks to raise trade standards in order to satisfy US domestic critics of both NAFTA and the TPP.

The Trump administration's second trade agreement concluded with a CPTPP signatory is its limited trade deal with Japan. Although the administration initially pushed Japan to negotiate a comprehensive, bilateral trade agreement, the Japanese government balked at these efforts and encouraged its US counterparts to consider the CPTPP. However, following the entry into force of the CPTPP in late 2018 and the EU-Japan Economic Partnership Agreement in early 2019, US agricultural exports to Japan faced higher tariffs in Japan than comparable goods from the European Union and from CPTPP countries. In order to maintain US access to the Japanese market, especially for politically sensitive agricultural products, the Trump administration shifted its stance to prioritize a "limited" trade agreement with Japan. The US-Japan Trade Agreement is the result of this shift. The agreement is comprised of two separate trade agreements: one focused on digital trade, and the second focused on agricultural and industrial products. Like the USMCA, the limited trade deal was negotiated relatively quickly by focusing on issues that were non-controversial between the US and Japan during TPP negotiations. The digital trade agreement in particular draws on the USMCA's digital chapter, which built upon TPP digital trade provisions.

These agreements are indeed successes, and have modernized the US trade relationship with three of its four largest trading partners. Yet, when compared with the TPP, and from the overall perspective of US trade in Asia, the glaring omission of comprehensive, market-opening agreements with non-FTA countries such as Vietnam, Malaysia, New Zealand, and Brunei represents a missed opportunity for the United States to confirm its economic commitment to the region.

With respect to the Trump administration's overall goal of increasing US exports, [Chart 1](#) shows that from 2016 to 2019, US exports to

TPP signatory countries generally increased, but these increases are most substantial with countries that were already major US trading partners: Canada, Mexico, and Japan. When compared with broader changes in US exports between 2016 and 2019, these increases are consistent with official US Census data showing that total US exports to TPP countries increased from \$1.45 trillion in 2016 to \$1.64 trillion in 2019.

Despite the positive results for US exports between 2016 and 2019, the US trade deficit with these same countries also increased between 2016 and 2019, as shown in [Chart 2](#). The US trade deficit with all TPP signatories combined grew from \$172 billion in 2016 to \$252 billion in 2019. Again, this is consistent with trends in the US trade deficit with all countries during that time span: US Census Bureau data shows that the trade deficit increased from \$735 billion in 2016 to \$854 billion in 2019. Although critics of the TPP argued that it would flood US markets with cheap goods from countries like Vietnam and Malaysia, as the data shows, Trump's "America First" trade policy was ineffective even by its own standards, and actually saw the US trade deficit significantly grow from 2016 to 2019.

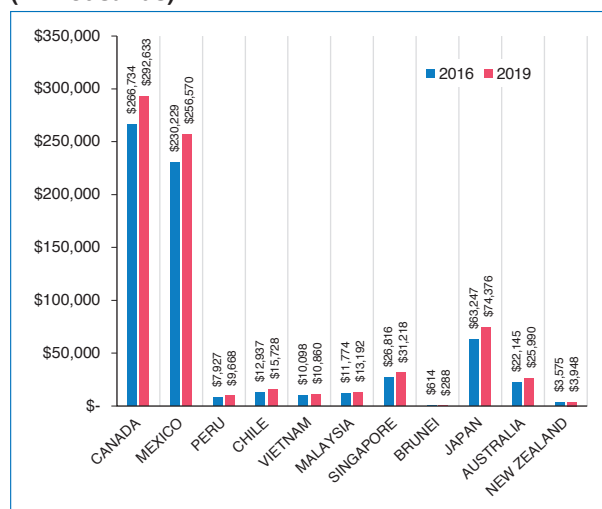
"America First" Trade Policy & US-China Strategic Competition

The administration's ability to counter China's rise – a metric that is a bit harder to calculate – is another critical indicator of the success or failure of Trump's "America First" trade policy.

Since the start of the Trump administration, strategic competition with China has come to define the US policy towards the Indo-Pacific region. "Economic security is national security" is now a guiding principle for the administration's policy towards China, and is the justification for increased export restrictions, tariffs, and other policies that promote an economic decoupling from China and attempt to protect and strengthen certain US industries. Consistent with Trump's rejection of the TPP and multilateral trade agreements, the Trump

CHART 1

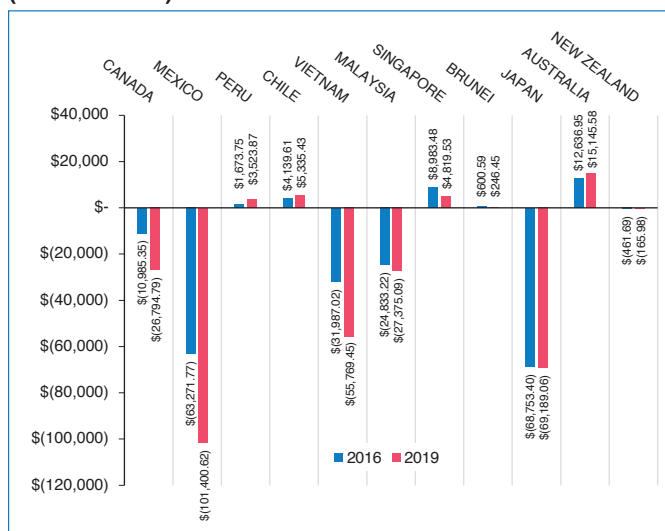
US exports to TPP signatories (in thousands)



Source: US Census Bureau; chart by author

CHART 2

US trade deficit with TPP signatories (in thousands)



Source: US Census Bureau; chart by author

administration has focused its efforts on the bilateral trade relationship with China by imposing unilateral tariffs on Chinese goods and by conducting bilateral negotiations with China to address concerns with the US-China trade relationship.

Yet, just as the “America First” approach to trade failed to shift the balance of US trade with TPP signatory countries, the trade policy has also been counter-productive with respect to increasing US economic security and countering China’s economic influence. For one, the administration’s rampant use of tariffs has created economic rifts between the US and close allies like Canada and Germany at a time when China is expanding its economic influence globally. In addition, the “America First” trade policy has impeded the US’s ability to maintain market access in the region – especially in competition with Chinese exports – in light of the growing, international trend towards multilateral trade blocs. The US was already pushed to react to the prospect of decreased market access in Japan after the CPTPP and the EU-Japan EPA went into effect. If and when the long-awaited RCEP goes into effect, the multilateral trade pact, which includes seven TPP signatories, China, and eight other Indo-Pacific nations, is likely to further erode US market access and influence in the region.

The 2020 Presidential Election: a Referendum on “America First”?

If the 2016 election offered a referendum on the Obama administration’s approach to trade, then the results of the 2020 presidential election will similarly reflect US voter sentiments regarding Trump’s “America First” trade policy. While Trump has essentially promised to deliver more of the same in his second term, former Vice President Joe Biden has offered a more collaborative approach to US trade relations (*Photo 4*).

The US under a second term Trump administration is likely to stick with the “America First” approach to trade. In practice, this would mean continued tariffs on US imports, a continued focus on bilateral negotiations, and an emphasis on US “gains” from trade, such as increased US exports. While this could very well mean the continuation of a reactive approach to trade in the Indo-Pacific region, based on maintaining instead of increasing US market access, the administration has already expressed its intention to complete a comprehensive agreement with Japan and has long promised to conclude a trade agreement with India. The Trump administration’s ability to complete these bilateral trade agreements would support increased US economic engagement with its partners in the Indo-Pacific region, even without US participation in a multilateral trade pact. Indeed, if re-elected, Trump is nearly certain to continue to reject multilateral trade agreements

such as the CPTPP.

Biden, meanwhile, has promised to increase US collaboration with international partners if he is elected president. A Biden administration is thus likely to consider broader, geostrategic

concerns as part of its trade policy, and to pursue agreements and trade remedies in support of these concerns. Biden has said that, like Trump, his trade policy would focus on protecting US jobs and workers by bolstering domestic industrial growth and by enforcing existing trade agreements. To this end, Biden is promising to deliver the same results to American workers that the “America First” policy promises. However, unlike Trump, Biden has stressed that the US can achieve these results without entering into costly tariff wars and without alienating critical partners. A Biden administration is also likely to be less antagonistic towards multilateral agreements – although Biden has not yet expressed any interest in joining the CPTPP. Instead, Biden has left space for his potential administration to determine how to approach trade in the Indo-Pacific after he comes to office, meaning there is no guarantee that Biden would prioritize either multilateral or bilateral trade agreements to increase US market access and economic influence in the region.

Challenges Ahead for US Trade with Indo-Pacific Countries

While US entry into the CPTPP is still promoted by American Asia-hands who championed the TPP agreement during the Obama administration, the trade agreement remains politically unpopular among US voters and among the US labor movement. Whether Trump or Biden is elected in November, both administrations would face political challenges if they attempt to join the CPTPP. Based on the USTR’s recent experience negotiating the ratification of the USMCA with Democrats in Congress, labor, environment, and enforcement provisions may again be the main points of Congressional concern with the CPTPP.

The Trump administration’s explicit preference for bilateral trade agreements may also come with obstacles, such as the political will of individual CPTPP member countries to negotiate bilateral agreements with the US, especially if negotiations are conducted under the threat of US tariffs. The US has already struggled to convince Japan, its fourth-largest trading partner and one of its most important allies, to enter into a comprehensive bilateral trade agreement. Without the buy-in of critical partners like Japan, a series of bilateral agreements with smaller countries such as Brunei or New Zealand will likely fail to deliver the strategic and economic gains that would accrue were the US to join the CPTPP.

As great power competition between the US and China continues to intensify, the US will increasingly face the need for a strategic, proactive economic approach to the Indo-Pacific region. While the TPP offered one remedy for this need, regardless of who is in the White House, US leadership will need to commit to finding a solution to this quandary that addresses domestic US concerns, strengthens relations with allies, and effectively helps the US to compete in the region. The last four years have proven that hitting these three points is easier said than done, and indeed, substantial barriers remain. Yet, commitment by leadership, and collaboration with allies, will be the key for achieving greater trade ties between the US and the Indo-Pacific region moving forward.

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PHOTO 4: Gage Skidmore via Wikimedia Commons



President Donald Trump at a campaign rally in 2016.