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Economic Aspects of President Trump's Visit to Asia

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EXECUTIVE SUMMARY: During President Donald Trump's trip to Asia in November, he dealt with political-security issues alongside various economic issues. The visit lasted almost two weeks and included visits and meetings in Japan, South Korea, China, Vietnam, and the Philippines. North Korea's nuclear threat and economic issues were the top two matters under discussion. Trump managed to maintain good relations with all the countries he visited and even strengthened some of them, but it is not certain that this will last throughout his term in view of his incoherent statements on ongoing tensions in East Asia between China and smaller countries.

US President Donald Trump's trip to Asia began with a visit to Japan, where he met with Prime Minister Shinzo Abe for the sixth time since Trump's election to the presidency a year ago. The meeting addressed economic and political-security fields, with Trump suggesting to Abe that Japan buy US defense systems that would allow it to intercept North Korean missiles – a suggestion based not only on his desire to eradicate the missile threat, but also to pressure Japan to reduce its trade deficit with the US. The trade deficit between the two countries is estimated at \$69 billion, the second-largest after the US-China trade deficit.

From Japan, Trump traveled to South Korea, where he met with his counterpart, Moon Jae-in, and addressed the General Assembly. The threat from the north was the center of discussion between the leaders. But in this case, too, the subject was combined with an economic aspect: the South Korean Presidential Office said the parties had begun negotiations to sign an agreement for South Korea's purchase of US military equipment. Among other items the leaders discussed were submarines with nuclear capabilities and surveillance equipment.

The next stop was China, which, as expected, attracted the most attention. Trump made a considerable effort during the visit to blunt the sharp criticism of China he made during the election campaign and on several occasions following his election. Before the visit, he frequently criticized China's economic structure, attacked the trade deficit between the two countries, condemned China's "manipulations" of its currency, and even accused the Chinese of "raping the American economy." A few days before the visit, Trump changed his tune and praised the Chinese president: "We can call him King of China now." During the visit, Trump continued with this approach and called China "the most important growth engine for the world economy."

The visit to China dealt with economic and political-security issues, but in this case, unlike Japan and South Korea, there was no integration between the two. The presidents discussed political-security issues such as North Korea, the South China Sea, and so on, while encouraging reciprocal investment and strengthening trade relations – but without combining the two by selling security knowledge or equipment. This unique situation, in which two close trading partners refrain from exchanging knowledge on security issues and even restrict their allies from doing so, warrants close attention.

Moreover, not only do the two giants not share security-intelligence tools, but according to various publications, they use them against one other for economic purposes. Nevertheless, during the visit, Trump tried to show that you can be friends without sharing everything.

The US Department of Commerce published a list of approximately 37 deals that were signed during the visit between US and Chinese companies and organizations. The estimated value of the transactions is \$253 billion.

The success of the visit to China did not encourage the other leaders in the region, since the dominance Trump gave to China does not benefit them. For years, the countries of the region have been concerned about the growing strength of China, which might stifle their voices on economic and diplomatic issues related to the Asian continent. The ongoing conflict in the South China Sea is the realization of these concerns.

After his visit to China, President Trump went to Vietnam to attend the Asia-Pacific Economic Cooperation group. In his speech, he often referred to the region as "Indo-Pacific," a term that underscores India's and Australia's positions as leading members of the region alongside – and as a counterbalance to – China. This message clashes, of course, with Trump's approach during his visit to China, as does the fact that he offered to mediate or otherwise assist Hanoi in taking its share of the South China Sea. This contradicts China's position, which opposes any external interference in the conflict.

At the conference, Trump continued to voice a separatist approach that opposes regional economic agreements, since in his view the US is always on the losing side of such agreements. It seems that the leaders of the region, with or without China, are trying to build agreements without American involvement, at least for the time being. Despite Trump's "America First" policy, he told Vietnam president Tran Dai Quang that trade between the parties would continue to be fair and reciprocal, even if the trade deficit tended to be against the US. It should be noted that trade between the US and Vietnam amounted to 89% of Vietnam's GNP, which stood at some \$120 billion last year. Export to the US of items such as auto parts and consumer electronics explains much of the roughly 6% economic growth that has occurred in Vietnam every year since 2012.

In the Philippine capital Manila, Trump's final destination on the trip, he met with his local counterpart, Rodrigo Duterte, and participated in two regional conferences: the East Asian Countries Conference and the ASEAN-US Conference. Economics came up during the meeting with Duterte, but only in terms of a \$164 million security-aid package that Trump said he would transfer to his Filipino counterpart. At the end of the visit, Trump said: "Now we have very, very good relations with the Philippines, which is less important for trade, but very important from the security aspect." He added that beyond the transactions between China and the US, deals worth \$50 billion had been signed with the other countries in the region. (A comparison of the relative sums involved underscores the critical economic importance of China to the Americans in contrast to the rest of East Asia.)

Though President Trump maintained good relations with all the visited countries, it is not certain that those warm feelings will last throughout his term. If he allows China to continue to strengthen and take the place of the US in international economic arrangements in Asia, other Asian countries will seek out nearby Beijing at the expense of distant and closed-off Washington. What would Trump do in such a situation? He will either continue to withdraw within the US borders, or he will build a powerful new system of leverage over China and strengthen America's status in a region that will be critical to the global economy in the 21st century.

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