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## Commentary: On Broadcom and tariffs, Trump takes aim on trade – and Singapore?

Actions to block Broadcom's take-over of Qualcomm and the imposition of tariffs suggest Donald Trump is serious about upending the post-war international trade consensus, with dire consequences for Singapore, says one observer.



US President Donald Trump, with US Trade Representative Robert Lighthizer, signs orders to impose tariffs on washing machines and solar panels, saying the United States 'will not be taken advantage of anymore'. (Photo: AFP/JIM WATSON)

SINGAPORE: Donald Trump has just entered the second year of his presidency, and it is already clear that in the year to come he will present even more of a challenge to the rules-based international trading order than in his first year.

This year began with a series of Trump trade bangs.

In January, the Trump administration declared tariffs against washing machines and also solar panels – from which Singapore was not excluded. In the past two weeks, the president invoked a little-used national security exception to justify 25 per cent tariffs on steel and 10 per cent on aluminum imports.

And just last week, he used his review authority under the Committee on Foreign Investment in the United States (CFIUS) to personally and publicly block Singapore-incorporated Broadcom from buying Qualcomm – again on the grounds of national security.

Singaporeans may have reason to ask: “Why is this happening? And what will come next?”

### UPENDING THE POST-WAR INTERNATIONAL CONSENSUS

Let me offer two lessons from Washington. The first is that Mr. Trump is deadly serious about upending the post-war international consensus in favour of free trade and will not be “normalised.”

The second is that rules themselves are anathema to him and get in his way.

So Trump’s goal is to replace the rules-based free trade framework with a Trump-based America First framework. Singapore cannot be complacent.



Donald Trump's announcement last week that he will put tariffs on imports of steel and aluminium sent global markets into a tailspin, though there are hopes the final measures will not be enough to spark a trade war. (Photo: AFP/Mandel NGAN)

First, Trump of course has made no secret of his anti-trade views. These views were central to his campaign, and as president his rhetoric has if anything escalated.

NAFTA is “the worst trade deal in the history of the world,” right up there with TPP “which is another disaster done and pushed by special interests who want to rape our country.” Germany’s trade policy is “bad, very bad,” and so is South Korea’s and of course so is China’s

What is remarkable is how long and how consistently Donald Trump has held his anti-trade views. In 1987, he spent almost US\$100,000 to run full-page ads in the New York Times, Washington Post, and Boston Globe attacking America’s closest allies and the many ways they took advantage of the US, including “vast deficits” and “huge deficits.”

Even then, his anti-globalisation ideas were very detailed, and would fit comfortably into a Trump speech today.

Indeed, trade – along with Trump’s other signature issue, immigration – stand out as remarkably stable strands in his worldview. They are two steel rods in the shifting sands of his words and policies, visible through the decades and connecting strongly to Trump’s base.

#### **A GLOBAL COMPETITION FOR ADVANTAGE**

President Trump’s long-held trade and immigration views are part and parcel of his signature America First policy. Just what he means by that phrase was coolly, even chillingly, described by National Security Advisor H R McMaster and (now former) National Economic Advisor Gary D Cohn in a May 30, 2017 Wall Street Journal op-ed. It is worth re-reading today.

The op-ed is startling in its clarity of purpose and its dramatic shift from the consensus of the (recent) past. President Trump, McMaster and Cohn asserted, brings “a clear-eyed outlook that the world is not a ‘global community’ but an arena where nations ... compete for advantage.”

This, then, is the Trump Doctrine, and it’s straight from the Hunger Games: The world is an arena of actors competing for advantage, to which America will bring all of its strength – military, political, economic – for American advantage.





For allies in the Asia-Pacific who have long relied on the United States to enhance regional security and to promote regional prosperity – a new day has dawned.

If the world is an arena, then the man in the arena for the United States is ... Trump. And he wants maximum flexibility to act.

As he pushes for America First, he will also seek to dismantle the rules-based trading order in favour of one where he is able to act without restraint and with maximum discretion.

#### **TARIFFS SHOW HIS PREFERRED APPROACH**

The past week has given us two perfect examples of his preferred approach. The steel and aluminum tariffs are being imposed based on vaguely-worded notions of “national security.” In the signing ceremony for the new tariffs, Trump noted that he will “(show) great flexibility and cooperation toward those that really are friends of ours, both on a trade basis and a military basis.”

He immediately exempted Mexico and Canada (temporarily, and based on good behavior in the NAFTA talks). He also signalled he would exempt Australia because they are “good friends,” and was working with Prime Minister Turnbull on an undefined “security agreement” so that “we don’t have to impose ... tariffs on our ally, the great nation of Australia.”

The president indicated US trade representative Robert Lighthizer would decide on exemptions – but so far no guidelines have been issued or process outlined beyond what he said during the signing ceremony – that “we’re going to see who’s treating us fairly, who’s not treating us fairly. Part of that’s going to be military. Who’s paying the bills, who’s not paying the bills.”

Since then, the president has been flooded with personal entreaties (and phone calls) from the leaders of Great Britain, France, China, Canada, Argentina and Japan. (The Australians apparently enlisted golfing star and Trump friend Greg Norman, and astonishingly it worked).



US President Donald Trump, seen at a rally Saturday in Moon Township, Pennsylvania, threatened to tax German cars if the EU fails to lower trade barriers. (Photo: AFP/Nicholas Kamm)

This is just the way the president wants it. He has created a new negotiating objective – tariff exemption – and invited the leaders of the world to call him to ask for favour. Which he will grant, or not, based on his personal relationships.

(Note that neither Angela Merkel of Germany nor Peña Nieto of Mexico, with whom Trump have testy relations, have spoken to the president – doubtless they recognise they need others to make their arguments for them.)

#### **BLOCKING QUALCOMM'S ACQUISITION**

Recent days saw a second unprecedented presidential intervention in international economic relations – the White House statement blocking the US\$117 billion Broadcom–Qualcomm acquisition because “it could impair the national security of the United States”.

Never before has a president intervened in a CFIUS review in this manner. The administrative review was in its early stages, and typically problematic transactions are allowed to die quietly in the dark.

Instead, the president chose to prove that he is the man in the arena.

What reasons underlay the blocking of the transaction? We don't know; and Singaporeans know best of all that Broadcom may have been Singapore-licensed but was headquartered in and operated from California. This was a merger of two global companies based in the US, not a foreign takeover.

What precedent does this action set? Truly, we don't know – and that's just how Trump likes it.

Where does all this leave Singapore? Singapore has long embraced – indeed built its entire economy around – a rules-based international order. In fundamental ways, Mr Trump's approach to trade, and to international rules, is a direct challenge to Singapore's future.





FILE PHOTO - sign to the campus offices of chip maker Broadcom Ltd is shown in Irvine, California, U.S., November 6, 2017. REUTERS/Mike Blake

Like Australia, Singapore is surely a “great friend” of the United States. In the weeks to come, it will be up to Singapore to prove that (as if it needs to).

And yet as it does so, Singapore must anticipate new conditions from a White House that (remember) will seek “to use the diplomatic, economic and military resources of the US to enhance American security, promote American prosperity, and extend American influence around the world.”

America First. Singapore – where?

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