



Obama Will Face a Skeptical Asia

Marcus Noland says President Obama's Asia trip, starting November 11, will highlight questions among many in Asia over the administration's leadership on trade and economic and security issues.

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Steve Weisman: This is Steve Weisman at the Peterson Institute for International Economics. Marcus Noland, deputy director of the Peterson Institute, is here to talk about what President Obama will confront on his first major tour of Asia. He leaves on November 11. He'll be going to Singapore, China, Japan, and South Korea. Thanks, Marc, for joining us.

Marcus Noland: My pleasure.

Steve Weisman: What will President Obama find in terms of questions that countries on his itinerary have about his administration's policies?

Marcus Noland: Needless to say, the global financial crisis, in which the United States economy is its epicenter, has enormously damaged American prestige in the region. The whole American model has really taken it on the chin.

And so the governments in Asia that President Obama will be interacting with will be very interested in US measures in the financial sphere to clean up the mess here in the United States; plus very interested in trade policy as well, an area in which Asians have traditionally been suspicious of Democrats. And in particular, the Obama administration has gotten off to a somewhat wobbly start with a number of actions that many regard as protectionist.

Steve Weisman: Is he going to have to assure especially China and Korea about his intentions on trade? And should we look for some initiatives or clarification before the trip or during the trip?

Marcus Noland: I think that, as I indicated, there's a tendency for Asians to be suspicious of Democrats on trade issues. I think that one might characterize the Obama administration thus far as being mildly or engaging in mild or modestly protectionist actions. Nobody is really concerned that there is any kind of ideological commitment to protectionism in this administration, and indeed, there is an optimistic interpretation that says that these are tactical moves to buy time...

Steve Weisman: Excuse me for interrupting, but the tactical moves being?

Marcus Noland: Being the protectionist trade actions, basically our tactical moves to buy time while the president is addressing a very extensive domestic agenda. And having dealt with,

say, the healthcare issue, then the administration can move on to a more constructive trade policy, perhaps next year. But I think there will be a kind of ritual reassertion of support for the Korea-US Free Trade Agreement, which has been negotiated but neither National Assembly has passed. In China, there will be discussions of course on macroeconomic issues, on the exchange rate and probably some reassurances that the recent decision with regard to tires is not the leading edge of a much broader assault on Chinese exports to the United States.

Steve Weisman: What is the agenda going to be at the APEC meeting, which is the Asia Pacific Economic Cooperation group that has had its ups and downs over the years? Especially after the recent Japanese election, there's more and more talk of regional inter-Asian cooperation. Is that something that the United States needs to worry about at the APEC meeting?

Marcus Noland: I think there's a tendency, a natural human tendency, to be concerned about any group in which one is not a member. But I don't think it's necessary for the United States to be invited to every party.

However, some of the developments in Asia really do potentially threaten American interest. I mentioned the US-Korea Free Trade Agreement. The Europeans have now negotiated a free trade agreement with Korea and it could well turn out to be the case that they pass and implement their free trade agreement with the Koreans before we do, and that's a sort of agreement that could disadvantage US interests. Any free trade agreement among the major economies in Northeast Asia—China, Japan, South Korea—could potentially disadvantage American interest.

So what we have at APEC is a much larger grouping that not only includes East Asia, but includes countries such as the United States and Mexico on the other side of the Pacific. It is an organization that has really floundered and has really not accomplished much. It is being hosted by Singapore this year, Japan next year, and the United States the year after. Those are three strong leaders and the fact that we will be hosting in 2011 gives the president an incentive to try to get APEC on a better track so that it can accomplish something. And one of the things it could accomplish is to try to make sure that these emerging bilateral and regional agreements in Asia are not discriminatory and are basically supportive of a more open international trade system.

Steve Weisman: Now, of course, another item on his agenda will be the political security issues, especially North Korea, which is a subject you've studied intensively and that we've discussed in previous interviews. To what extent is American leadership on these security issues affected by these questions that you just said that many Asians have about American economic leadership?

Marcus Noland: I think that Asians are actually deeply ambivalent about American leadership, in both the economic and military-political spheres. In the economic sphere, it is undoubtedly the case that the liberal economic order that the United States helped foster and really lead in the period after the Second World War has been one that has benefited Asians enormously. And most Asian leaders understand that they have benefited enormously from that system that the United States really developed. That

said, they are concerned about a kind of “diminished giant” syndrome about the United States losing its commitment to open markets.

On the military side, likewise, there’s an understandable wariness of hegemony. On the other hand, the United States appears to behave in a relatively benign fashion and so, while there’s a tendency to not like the United States because it’s large and dominant, there’s also a concern about what the world might look like if the United States was not a large and dominant hegemon. And so, I think there are concerns particularly with regard to the rise of China, about how all these things will be sorted out. And I think that there are issues in which most of these Asian governments are actually conflicted.

Steve Weisman: Let’s talk for a second about Japan, which has the newest of the governments just installed a few weeks ago—Prime Minister Hatoyama, who has won a sweeping election based on reforming the whole Japanese political system and even economic system. You’ve just returned from the region. What is your sense of what direction that government is headed in? And is there any cause for concern in Washington about any of those directions?

Marcus Noland: I have to say I was pleasantly surprised. My expectation when they won the election was that there would be complete stasis in Japan for 18 months, because the Japanese government has historically really been operated by bureaucrats who were closely aligned with the dominant political party, the Liberal Democratic Party. And if the change in party would so disrupt this mechanism for governing, then probably nothing would happen. That, together with the fact that the new party, the Democratic Party, is a very broad coalition with a lot of internal contradictions, I thought very little would occur.

In fact, Prime Minister Hatoyama seems to be moving in a pretty rapid and constructive direction in terms of economic policy. He’s essentially forming a national economic council that will break up some of the cozy relationships between special interests and bureaucrats in particular ministries, especially in construction and agriculture...

Steve Weisman: Construction and agriculture.

Marcus Noland: Which were the sort of really antediluvian old guards of the LDP, so it’s good politics as well as good economics.

On the security side, obviously there have been some controversies recently about how to restructure and locate American forces in Okinawa. This is a complex issue that has been going on for years and years, and is prone to politicization both by local leaders in Okinawa as well as the government of Tokyo. And I think that at this point, what we could best hope for is that things cool down a bit and that the United States and Japan are able to reach some accommodation, albeit maybe not the exact bargain that the United States government had reached with the previous Japanese government.

Steve Weisman: The new Democratic Party of Japan government has talked a lot about orienting its focus more on Asia. They’re saying that will not be to the detriment of the transpacific relationship. But even so, this has caused a lot of comment in Asia and

in the United States about Japan refocusing its attentions. Do you see anything actually happening on that score?

Marcus Noland: In some ways, I think it's much to do about nothing. I mean Japan has always been focused toward Asia. An overwhelming share of Japanese investment, Japanese trade, Japanese tourism has been oriented toward Asia. And so the focus on Asia is not new. Nor when Japanese leaders step back, I don't think they see any alternative to continued extensive involvement with the United States in both the economic as well as the political and security fronts. There is no obvious alternative for the Japanese to a continued military alliance with the United States in the face of rising China. So it's understandable that this particular prime minister may be oriented toward Asia. There may be some increased emphasis and activity on the governmental level. But I think that this would only represent, at most, an intensification of trends that have been there for decades, not any radical break with past decades.

Steve Weisman: A final question just about President Obama himself, who spent part of his youth or childhood in Indonesia and was welcomed by much of the world for his promises to engage in diplomacy and that sort of thing. What's the confidence level, hard to generalize, that you think he will face on his trip?

Marcus Noland: That is a really interesting question because Asia was really distinct from other regions in the world, of not showing the degree of Obama mania that, say, was evident in Europe or Africa. The Asians have been more skeptical and more cautious. And I think that they will be trying to draw a measure of President Obama when he goes to APEC and when he makes the visits to the other capitals in Northeast Asia.

Steve Weisman: Very interesting. Thanks so much, Marc. And I really appreciate it and we'll talk again maybe after the trip.

Marcus Noland: Sure. My pleasure.

