Overview

A Tempestuous Hegemon in a Tumultuous Era

Ashley J. Tellis
EXECUTIVE SUMMARY

This chapter examines the genesis of the disorder in the Indo-Pacific that became manifest during the Trump years and how the U.S. has managed U.S.-China competition, the challenges of globalization, and the Covid-19 pandemic.

MAIN ARGUMENT

The tumultuousness of Trump’s presidency was rooted in developments that long predated him. China’s integration into the international trading system provided significant benefits for the U.S., but also imposed considerable burdens on key segments of its population. These hardships were compounded by sharply rising inequality domestically, failed U.S. military campaigns abroad, and the global financial crisis, which together stimulated a destabilizing nationalism and increased isolationism at just the time when China had become a potent strategic competitor. The Covid-19 pandemic only magnified the turmoil. Although Trump’s response to these crises failed to dismantle the liberal international order, his nationalistic trade policies, transactional approach to alliances, and ragged response to the pandemic damaged trust in the U.S. globally. That these behaviors did not destroy the U.S.-led order demonstrates its resilience while also doing credit to Trump administration officials who protected it despite the president’s disinterest.

POLICY IMPLICATIONS

• The U.S. must couple economic rebuilding at home with a sensible foreign policy to protect democracy domestically and preserve U.S. leadership of the liberal international order.

• The U.S. should maintain healthy economic ties with China to increase U.S. welfare gains, which are also necessary to effectively compete with China. In its competition with China, the U.S. should focus on preserving its military advantages, technological dominance, and ideational attractiveness globally.

• The U.S. should recommit to expanding international trade both to limit China’s growing influence and to increase U.S. competitiveness and innovation, thereby strengthening its own economic power.
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Ashley J. Tellis

There is little doubt that Donald Trump’s presidency was tumultuous not only for the United States but also for the international system. By elevating a self-consciously nationalist politician to the highest office, Trump’s election challenged the long-established expectation that Washington would continue to unflinchingly bear the burdens of hegemony, uphold the open trading system, and promote liberal democracy as the normative standard of governance around the globe. Trump’s views on each of these issues—partly reflecting those of his support base—ran counter to standing U.S. policies since at least the end of the Cold War, if not the beginning of the postwar period itself.

Reflecting a particular brand of “populist American nationalism,” Trump disparaged U.S. alliances and demanded greater financial contributions from allies on the assumption that collective defense arrangements did not contribute toward the maintenance of American primacy and were little other than a favor to the United States’ protégées. He also denigrated international institutions that he perceived as unfavorable to U.S. interests, while misunderstanding the value of the U.S.-led and -protected global order for the
United States’ own security. Utilizing nationalist idioms, Trump furthermore trained his guns on international economic interdependence. Because of a long-standing belief that all U.S. economic partners were unfair traders, he responded by seeking to entrench new forms of protectionism, stimulate the comprehensive reshoring of manufacturing, and gut the many multilateral and plurilateral trading agreements that the United States had previously signed. Finally, at the ideational level—and in the sharpest departure from the past—Trump rejected the liberal vision entirely, conflating liberal internationalism with a “globalism” that he believed not only undermined the integrity of the nation-state but also justified endless interference in the internal affairs of other countries, which then produced ruinous wars, foolish attempts at nation-building abroad, and unlimited expenditures on protecting the international order over concrete U.S. interests. All these actions together—rooted in a seemingly atavistic nationalism, not to mention Trump’s own personal rambunctiousness—shocked the international community, which had long viewed the United States as a sturdy bastion of stability even though some U.S. foreign policy decisions were occasionally damaging.

The conclusive end of the post–Cold War period signaled by the Trump administration’s decision to finally call out China as a strategic competitor of the United States only added to the sense of tumult. For almost 40 years, the United States had championed peaceful relations with China, encouraged its economic integration with the global system, and overlooked the more odious aspects of its autocratic governance as long as the Chinese Communist Party did not behave in especially egregious ways at home and abroad. By the time Trump entered office, however, Deng Xiaoping’s counsel that China should “maintain a low profile” and “never seek leadership” had been

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decisively consigned by Xi Jinping to the dustheap of history. What replaced it was a renewed desire to cement China’s centrality in the international system—an objective that only made the “trade shock” produced by China’s integration into the global economy even more painful. This burden was now complemented by both rising Chinese assertiveness in Asia and a comprehensive Chinese military transformation that threatened U.S. regional allies, sought to neutralize Washington’s extended-deterrence guarantees, and ultimately constituted the foundations for China to challenge the United States as the hegemonic power in world politics.

As if these structural shocks were not enough, the international community was roiled by the worst pandemic—apart from the AIDS crisis—since 1918. The origin of Covid-19 quickly became an object of controversy amid Chinese attempts to cover up the initial outbreak of the disease in Wuhan. The pandemic has to date officially cost over five million lives worldwide, though the actual toll is estimated to be much higher. It has produced the worst economic crash since the Great Depression, and has generated serious supply chain disruptions, labor market dislocations, and increasing inflation (in part due to the heavy financial mitigation undertaken by various central banks around the world). Although a series of vaccines capable of either providing immunity to the virus or mitigating its worst effects have been successfully brought to market with unprecedented rapidity, their production has still not reached the levels required to universally inoculate all humanity. Even when the vaccine manufacturing limits are overcome, however, it is likely that vaccine hesitancy and resource constraints (both among and within countries) will prevent the goal of universal inoculation

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from being reached speedily, thus resulting in persisting public health and economic distress in many parts of the world.

More pertinent to the tumult that has characterized recent history, however, is the fact that coping with the pandemic proved beyond the reach of the U.S.-led international order. At the beginning of the crisis, when global leadership was most required, the United States under Trump legitimized a nationalist approach to what was the most significant international public health calamity in generations.\(^{12}\) Although this approach has shifted under President Joe Biden, fears that the earlier “America first” attitude still survives are prevalent within the wider international community.

This volume in the *Strategic Asia* series focuses on the impact of the tumult of the last several years on key states and subregions in the Indo-Pacific. Each chapter assesses how the new uncertainties about U.S. global leadership and the onset of U.S.-China competition, the threatened trade “decoupling” arising from that competition and the possible risks to globalization, and the devastation caused by the Covid-19 pandemic, whose long-term effects are still uncertain, have shaped the attitudes and policies of important Asian states. Each study explores the impact of these three intersecting developments on the grand strategy of the country concerned, or the impact on a specific region—in particular, focusing on how the challenges have affected the capacity to generate national power and what their consequences have been for the regional security environment and the United States.

This overview chapter is divided into two main sections. The first section explores the genesis of the disorder that became manifest during the Trump years. The second section then examines how U.S. policy under Trump affected the three issues described above, flagging key insights from the regional responses that are detailed in the chapters that follow. The brief conclusion highlights the challenges still facing the United States in the context of the remediation now being undertaken by the Biden administration.

### The Structural Roots of a Convulsion

Although the challenges posed by China as a strategic competitor and the discontent with globalization reached their high point during the Trump presidency, the undercurrents driving both developments had been slowly intensifying long before the American people voted Trump into office. These pressures arose because of strategic decisions made in Washington after the

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Cold War ended, but these choices too were rooted in the broader policies pursued by the United States early in the postwar period itself.

**The Evolution of the U.S.-Led International Order**

The United States emerged from World War II triumphant and largely untouched by its physical devastation. Appreciating that the extended roots of the conflict were nourished by a combination of troublesome economic realities—the Great Depression, beggar-thy-neighbor trade policies, closed trading blocs, and predatory imperialism—the victorious United States sought to create an open international economic system as the centerpiece of the postwar political order. The idea that a global free-trade system could produce both increased prosperity and lasting peace became increasingly influential in the United States after World War I. But the negotiations during both the interwar years and World War II suggested that the postwar dream of free trade would have to be subordinated to mainly institutionalizing freer trade through bilateral reciprocity.  

The newly designed International Trade Organization (ITO) was intended to be the institutional vehicle for managing this process, through which various individual trade agreements could be steadily generalized to create a progressively larger network of gradually liberalizing trade. The ITO would be supplemented by other Bretton Woods institutions such as the International Monetary Fund (IMF) and the International Bank for Reconstruction and Development (the World Bank). With the IMF managing the international monetary system, and the World Bank providing finance for capital projects in the developing world, the postwar international economic order was thus conceived as an integrated enterprise that would help avert the recurrence of major systemwide war by increasing prosperity through the institution of free markets within countries and freer trade between them.

Consistent with this vision, the United States itself slowly reduced its previously high tariffs and, to make this the new global norm, invited all nations to join the proposed ITO. However, its emerging rival, the Soviet Union, with its command economy and suspicions about free trade, spurned the U.S. overture, only indicating a willingness to join—for propaganda purposes—long after President Harry Truman’s administration ultimately gave up on the ITO because of its inability to assuage domestic fears about

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the new supranational organization’s power to intervene in Washington’s management of the national economy.\(^{15}\) This failure, which roughly coincided with the beginning of the Cold War and the resulting competition between the United States and the Soviet Union, finally undermined the American vision of unifying the entire postwar global order on the foundations of free markets domestically and freer trade internationally.

Cognizant of the need to rebuild the war-torn economies of its Western European and East Asian allies to contain Soviet and Chinese Communism, the United States constructed an asymmetrically open trading system that would bind its partners and enable their speedy reconstruction in the face of the looming Communist threat. This arrangement, which was integrated into the reciprocal tariff reductions negotiated under the auspices of the General Agreement on Tariffs and Trade (GATT)—the successor to the ITO—gave the United States’ formal allies as well as its friends, especially in the developing world, preferential access to the wealthy U.S. market in order to bolster their economic growth and, thereby, their resilience against Communism.\(^{16}\) The importance of this goal also prodded Washington to tolerate the rise of various state-managed economies around the world, but especially in Asia, against its own preference for free market solutions. Accordingly, the United States reconciled itself to significant deviations from its own liberal orthodoxy by accepting many state-led economies that were significantly protectionist while still providing them with preferential access to the U.S. market for their exports.

This strategy of allowing U.S. allies and friends to benefit from Washington’s elevated trade openness made sense at a time when the United States was truly an economic colossus internationally and when defeating the Soviet threat was the overriding geopolitical imperative. Consequently, the United States complemented its strategy of deep, yet asymmetric, economic integration among its friends with many formal alliances, wherein Washington also bore the primary burden for ensuring common security in the face of the various continental and maritime threats emanating from its Communist rivals. These economic arrangements and the extended security guarantees together typified the hegemonic power of the United States. Washington bestowed on its partners more economic and security benefits than it received from them not only because it could afford to do so but also because doing so ultimately enhanced its own structural power in the

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international system. That is, it created systemwide ordering arrangements that benefited U.S. interests disproportionately in that the United States, as the strongest power, had the most to lose were its adversaries able to gain any fundamental advantages in the intense and multifaceted competitions that came to characterize the Cold War.\(^\text{17}\)

The progressive rise of the United States’ allies encouraged by this hegemonic strategy undoubtedly produced a relative decline in U.S. power over time. But that erosion was acceptable because it generated greater collective capabilities across alliances, which contributed to the ultimate defeat of the Soviet Union. Moreover, the steady growth of allied capabilities was not particularly alarming—in fact, it was exactly what Washington intended—because it buttressed the ability of U.S. partners to build the warfighting capabilities that were necessary to contain the Communist threat. Neutralizing this danger was essential to preserving the United States’ global primacy, which, in turn, rested on the assumption that a liberal hegemony was the best antidote against the emergence of new great-power rivals, other disorderly forms of multipolarity, and any desires on the part of subordinate states to revise the U.S.-led international order to Washington’s disadvantage. Thus, the United States continued to bear the asymmetrically higher costs of collective defense long after its allies had grown rich and were arguably more capable of bearing a larger share of these burdens.\(^\text{18}\) Although Washington regularly appealed for greater financial contributions from the allies for much of the Cold War and after, it acquiesced to their inclinations on burden shifting because, when all was said and done, the United States was still the strongest power internationally. A U.S.-dominated world provided Washington with far greater strategic leverage, as well as structural and positional advantages, that made it worth the costs of defending those protected.\(^\text{19}\)

With the decisive U.S. victory in the Cold War, marked by the collapse of Soviet power, Washington went a step further: it sought to more deeply integrate countries that were not its allies into the open trading system. In effect, this represented continuity with the vision that had animated U.S. policy soon after World War II ended, when the idea of the ITO was first mooted. This process gathered steam during the last decades of the Cold War.


\(^{18}\) The “fundamentalist” versus “Atlanticist” elements of this issue in the NATO context are usefully analyzed in Charles A. Cooper and Benjamin Zycher, *Perceptions of NATO Burden-Sharing* (Santa Monica: RAND Corporation, 1989).

War itself when the economic transformations occurring in the diverse states of Southeast Asia, such as Hong Kong, Singapore, Thailand, Malaysia, and Indonesia, acquired a great boost thanks to regional integration; preferential access to wealthier markets in the United States, the newly formed European Union, and Japan; and even the opportunities offered by regional wars. While these later success stories too would exemplify state-guided economic development, these gains were valued by the United States because they opened opportunities for American investors while increasing local resilience against the challenges posed by domestic threats, external subversion, and foreign aggression. Again, the steady growth of Southeast Asia through trade over time increased the absolute gains accruing to the United States, its global partners, and the regional states themselves, even though Southeast Asian successes then masked some serious internal structural weaknesses. The economic costs imposed on Washington by increased Southeast Asian prosperity were minimal, and these at any rate were sought to be corrected by more energetic efforts to secure greater “market access” and “market-opening,” which “became the keywords of U.S. policy in the region.” This approach, in turn, focused largely on expanding trade opportunities by supporting the institutionalization of the Asia-Pacific Economic Cooperation forum (APEC).

The Integration of China into the International Order

The idea that state-directed economic growth was beneficial was poised to change in dramatic ways with the next evolution of U.S. policy, even though these shifts were far from visible at the time. After the end of the Cold War and thanks to the rapprochement in Sino-U.S. relations that had steadily gathered steam since Jimmy Carter’s presidency, Washington was faced with the question of whether to integrate China, which had begun its own domestic economic reforms under Deng Xiaoping, into the wider international trading system. After bruising domestic battles yearly over whether China should be afforded access to the U.S. market, President Bill Clinton finally persuaded

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Congress to grant Beijing permanent normal trade relations. This action eased the way for China to join the World Trade Organization (WTO)—the successor institution to the GATT—and for U.S. companies to benefit from the commitments that China had made to secure its membership.

Unlike previous expansions of the liberal trading order, however, China's entry into the WTO was potentially consequential because of its huge size and future strategic ambitions, which may not have been entirely convergent with the vision of the United States. China's large population obviously made it extremely appealing for U.S. and international businesses, which saw an enormous market and a vast pool of skilled labor that could be used to transform manufacturing on a global scale. The uncertainties about China's long-term strategic ambitions did not seem to matter much because the country's still significant material weaknesses made it an insignificant threat to the United States at a time when Sino-U.S. ties were relatively amicable, and Beijing was able to astutely—and consciously—obscure its competitive aims where Washington was concerned.

However, the U.S. decision to integrate China into the liberal trading order, through both the offer of “most-favored-nation status” bilaterally and support for its WTO membership multilaterally, was not solely a product of state agency, even though Washington played a pivotal role. Rather, the far-reaching consequences of building a liberal economic order in the aftermath of World War II were causally coequal in importance. What the emphasis on encouraging open markets domestically and freer trade internationally produced was a gradual but transformative efflorescence of capitalism itself. Although initially nourished within the United States and in Europe, capitalism quickly moved abroad as the trading system brought more and more countries into the common Western network. Many developing states, especially in East Asia—and China was merely a later, albeit a more consequential, example—nurtured domestic private firms with state support. In time, these entities, just like their U.S. and European counterparts, crossed their national borders in search of resources and markets and developed trading and production networks abroad.

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Before long, the commercial interactions between U.S. and various international (to include Asian) companies produced the increasingly dense and integrated economic system that exemplifies global capitalism today. As other exogenous developments such as the revolutions in transportation and in information and communications technologies materialized, what initially began as discrete two-way trade transactions in finished goods gradually morphed into a complex mesh involving intricate global supply chains. Now the production of components was distributed across national boundaries based on both cost and coordination advantages, and trade consisted of multiple movements of millions of elements that represent “flows of goods, investment, services, know-how and people in novel ways.”

The tangible artifacts themselves are integrated at varying levels and into finished goods in different national locations, potentially far from their source of origin, only to be exported to still other countries possibly even farther away.

The critical upshot of this evolution is that the multinational production system has gradually escaped the easy control of the state. The state alone still exercises legitimate command over the instruments of coercion and can under conditions of emergency exert powerful influence on economic entities that either operate on its territory or need access to it. However, it cannot pervasively discipline the logic of commercial activity without arresting its fecundity—and thereby limiting the resources that the state itself garner in order to carry out its order maintenance and other welfare functions. The state and private economic activity, especially that operating across national boundaries, are thus bound dialectically: private capital pursues its productive activities driven by a search for profit wherever that may be found—within national boundaries to be sure, but increasingly even in the territories of a nation’s rivals; and the state, which private capital relies on for effective rule enforcement, cannot simply constrain these endeavors if they are to generate the resources required by the state to maintain order and satisfactorily compete with its international competitors.

The United States’ decision to integrate China into the international economic order was thus shaped by both the preferences of politics and the imperatives of economics—by both choice and necessity. The political drivers were anchored in a desire to support China’s political evolution in the hope that increased prosperity would accelerate democratization and

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27 For a useful overview of the mechanics of global supply chains, see Panos Kouvelis and Ping Su, The Structure of Global Supply Chains (Hanover: Now Publishers, 2008).

that democratization, in turn, would strengthen cosmopolitanism over nationalism, thus mitigating the dangers of future geopolitical rivalry both regionally and with the United States. The economic drivers were manifested in the cravings of U.S. businesses for access to the Chinese market and to China's large pool of skilled lower-cost labor, which could be utilized to produce goods for domestic consumption within China but more importantly for export to wealthier markets globally, thereby increasing their profitability and competitiveness against other commercial rivals.29

Because U.S. policymakers necessarily had to protect the economic opportunities available to U.S. companies in China—since their success in principle promised increased welfare gains for the United States as a whole, not to mention generating resources for Washington to use in support of its larger foreign policies—midwifing China's entry into the global economic system could not have been avoided as readily as is sometimes supposed today.30 China's domestic economic liberalization had already primed the country for integration with other regional and global partners. Consequently, the only choice before the United States was whether it would forgo the absolute gains from trade with China that the other Asian (and European) states were poised to enjoy, just as Beijing too readied itself to incur such benefits reciprocally. These ties would expand dramatically after China joined the WTO. As Duncan Snidal demonstrated in a pathbreaking analysis around 30 years ago, the relative gains derived from abstaining from economic cooperation in a multi-actor environment can be meager, if they are at all positive, and may not provide enough justification for forgoing trade integration with any given partner when that entity has a variety of other commercial collaborators to choose from.31 In such circumstances, the state that renounces trading with another effectively relinquishes the absolute gains that may advantage it in its competition with its rivals, including the very partners it trades with.

This tension within the intertwined logic of state rivalry and economic interdependence was penetratingly discerned by Karl Marx almost two centuries ago when he argued that global capitalism would end up threatening the nation-state.32 While the latter requires the former for its material viability and competitive success in an antagonistic interstate system, global capitalism

29 Campbell and Ratner, “The China Reckoning.”
also ends up potentially empowering new state rivals while simultaneously constraining all of them in inescapable ways. This outcome is amply illustrated by Sino-U.S. economic “codependency” today.\(^33\) The rise of China as a new great power through, among other things, trade integration was thus inherently baked into the logic of the expanding liberal international economic order that Washington has sought to institutionalize since the end of World War II. This process would inevitably escape U.S. state control once private agents—American and foreign—began to conduct economic transactions across national boundaries, which could not be drastically curtailed in any way short of war without the United States itself incurring high costs in the first instance.

**The Economic and Political Consequences for the United States**

China’s deep economic integration with the United States after its entry into the WTO produced two outcomes, one internal and one external, which would eventually contribute to the tumult witnessed in recent years. The internal consequence was the accelerated deindustrialization of the United States. Although this deindustrialization has complex causes, including the rise of labor-saving technology, there is little doubt that the “China trade shock” contributed significantly as U.S. companies, freed from the uncertainties about stable and predictable access to the Chinese market, moved manufacturing previously resident in the United States into China.\(^34\) Such shifts in the global division of labor are exactly what open international trade engenders. While its consequences include increased prosperity overall, these gains may not be shared equally between nations, even as they impose different distributional costs within the economies of the trading partners.

Within the United States, the demographic segments most affected by the intensifying trade with China “were whiter, less educated, older and poorer than most of the rest of America,”\(^35\) a group that would in time play an important role in propelling Trump to the presidency. The losses borne by this population could have been ameliorated in principle in three ways. First, China’s comparative advantage might have been reduced by holding Beijing exactingly to its WTO commitments, thereby leveling the playing field in China and thus reducing the perverse incentives for U.S.

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\(^{34}\) Autor, Dorn, and Hanson, “The China Shock.”

companies to continuously shift their investments abroad.\textsuperscript{36} Second, and as a complement to the first way, the U.S. domestic social safety net could have been enhanced in order to lower the adjustment costs borne by those Americans otherwise harmed by economic intercourse with China.\textsuperscript{37} Third, the global trading system itself could have been expanded in order to permit U.S. companies greater access to other markets beyond China, or it could have been supplemented by plurilateral agreements incorporating higher standards that would have permitted other U.S. comparative advantages to pay off in the face of China’s lower-cost labor edge.\textsuperscript{38}

As it turned out, the United States faltered on all three counts. Despite interminable economic dialogues with China, Washington proved unable to change Beijing’s predatory economic behaviors multilaterally and, until the advent of Trump, chose not to resolutely use bilateral instruments to force any fundamental change in Beijing’s traditional strategy of maintaining a state-controlled domestic market. Washington’s failure on this count was linked in part to the close ties between U.S. private capital and U.S. governing elites. Deriving an excess of satisfaction from the overall trade gains, both neglected the importance of correcting China’s trade distortions expeditiously and protecting the social classes in the United States that had lost out geographically, demographically, or sectorally. Washington also did not invest in reinforcing the domestic social safety net to deliberately redress these trade losses, in part because of the deep divides between Republicans and Democrats that are visible to this day. Nor did the United States succeed in creating compensating trade opportunities to recover the relative gains lost to China. Reform at the WTO proved elusive because the consensus rule prevented any meaningful agreement in the face of the deep international divisions over trade. Similarly, the remarkably high-quality workarounds that the United States did support, such as the Trans-Pacific Partnership (TPP) and the Transatlantic Trade and Investment Partnership, ultimately became victim to other domestic and international vicissitudes.

Despite the overall benefits accruing from trade with China, the specific economic costs—including the loss of intellectual property and the diversion of U.S. technology to Beijing’s military projects—were compounded by other


unfavorable developments within the United States.\textsuperscript{39} To begin, the United States has experienced striking increases in inequality since about 1980 at levels greater than in other peer countries. The data suggests that since 1970 the share of U.S. aggregate income accruing to upper-income families has been steadily increasing to the point where this segment now enjoys almost half the total national income.\textsuperscript{40} By contrast, middle-income families, which once enjoyed 62\% of aggregate U.S. income, now enjoy only 43\% of it. Lower-income families have had their share reduced as well, though the deterioration in this case has been more marginal. The wealth gaps are even more striking. Since the early 1980s, upper-income families have rapidly increased their share of U.S. aggregate wealth from 60\% to 79\% in 2016—the year Trump was elected president. During the same period, the share of wealth enjoyed by middle-income families dropped from 32\% to 17\%, with lower-income families facing a reduced share from 7\% to 4\%. The stark increases in inequality during the post–Cold War period thus contributed to a growing sense within the U.S. population that although the country may have been doing well in general, in part due to expanded trade, the resulting prosperity was not shared equitably.

The problems of inequality were complemented by growing domestic disenchantment with U.S. military interventionism in the post–Cold War period—especially after military interventions in Afghanistan and Iraq evolved into ineffective and protracted campaigns of uncertain purpose—which also imposed high financial and social costs on the U.S. polity.\textsuperscript{41} In part, the absence of a superpower competitor freed Washington to use military force around the world much more readily than it might have done had it been constrained as it was during the Cold War. The record in Afghanistan and Iraq demonstrated, however, that military success was not assured even against technologically unsophisticated opponents. In fact, despite expending what could have been as much as $8 trillion on its wars since the al Qaeda attacks in the United States, successive administrations ultimately failed to achieve their objectives in Afghanistan and may have


chalked up at best ambiguous success in Iraq.\textsuperscript{42} One scholar concluded that “twenty years from now, we’ll still be reckoning with the high societal costs of the Afghanistan and Iraq wars—long after U.S. forces are gone.”\textsuperscript{43} Thus, it should not have been surprising that Trump was able to persuade a large segment of disaffected Americans that maintaining the liberal international order through hegemonic strategies that overused military instruments only brought high costs without any perceptible benefits for the United States.

Finally, the global financial crisis that began in 2008 and ran its course during President Barack Obama’s first term in office further exacerbated the growing inequality in American society. Thanks to a dramatic injection of liquidity into national and international markets, the worst consequences of the financial crisis were immediately averted. These remedies undoubtedly prevented a new “great depression.” They came with extreme moral hazards, however, insofar as the financial bailouts protected those who were responsible for the crisis while leaving the larger populace to bear the burden. Although the economy made a surprisingly quick comeback, the pecuniary consequences of the financial crisis still endure.\textsuperscript{44} Thus, for example, although the average U.S. household wealth in 2019 finally exceeded the average in 2007, the median wealth declined by 19% over the same period. In other words, more families had still not made up the losses suffered during the crisis. The evidence suggests that white, wealthier, and more educated households recouped faster, whereas others struggled in what has been described as a “wealthless recovery.” These problems would unfortunately soon be exacerbated by the Covid-19 pandemic beginning in early 2020.\textsuperscript{45}

Beyond the material costs—lost growth, uneven recovery, and deepening inequality—the financial crisis in the United States and internationally had equally startling political consequences: a deepening polarization within society, the rise of populism (together with suspicion about governing institutions), intensifying racial divisions, and growing antagonism.


\textsuperscript{43} Stephanie Savell, quoted in “Costs of the 20-Year War on Terror: $8 Trillion and 900,000 Deaths,” Brown University, September 1, 2021, https://www.brown.edu/news/2021-09-01/costsofwar.


toward immigrants. These social stresses were on stark display in Europe, but, as Trump’s election in 2016 would indicate, the United States was not immune to these pressures. While the precise causality that connects the financial crisis to the resurgence of populist nationalism in the United States is hard to discern, it is difficult to escape the conclusion that the reactionary upsurge that brought Trump to power was precipitated by a “legitimacy crisis” that had been steadily building up over the previous decade. This crisis was fueled by accumulating domestic economic losses (irrespective of their sources), rising racial and class differences, and the failure of traditional politics to address the concerns of diverse social segments, especially the beleaguered middle class. The 2016 election thus brought diverse constituencies together to propel Trump into office in a race that finally hinged on a few pivotal states.

Even as these wrenching internal developments were unfolding in American society, there was a consequential external transformation as well: China’s gradual manifestation as a genuine great-power rival of the United States. The processes that produced this outcome were long and slow and were obviously rooted partly in the benefits that China gained from economic integration globally. Because China never intended to become a post-modern “trading state” like Germany and Japan—states that had also benefited from external trade ties—its emergence as a military rival to the United States was all but assured over time as long as China continued to possess an ambitious national leadership and sustained its internal political cohesion and broad economic success. The United States alone stood between China and its long-standing aspiration of restoring its geopolitical centrality in Asia. This aim implicitly entailed the political subordination of the other major Asian powers, such as Japan and India. Because U.S. security guarantees bound many states on China’s periphery, such as Japan, South Korea, Taiwan, and the Philippines, Beijing’s desire to reconstruct a new hierarchy in Asia inevitably


forced it to contend with the United States as the principal obstacle to this larger aim.\textsuperscript{50}

The domestic developments in China only accelerated this process, which acquired a decisive fillip with Xi Jinping’s rise to power. Casting aside Deng Xiaoping’s advice to lie low, Xi dramatically expanded the ambitions more quietly laid out by his predecessor, Hu Jintao. In particular, he accelerated China’s military transformation (whose anti-access and area-denial components are aimed at decoupling the Asian periphery from U.S. protection); militarized many island reefs in the South China Sea, while levying new ambiguous territorial claims therein; increased China’s intimidation of Taiwan, Japan, India, and maritime Southeast Asia; and more significantly, charged the Chinese armed forces to prepare for multidimensional military conflicts with the United States. Even as China steadily consolidated this course, it has consciously sought to wrest domination of the global technology frontier from the United States through huge state-directed national investments. Simultaneously, it has appropriated key technologies, including those developed abroad, for defense applications that are intended to enable China to project its military power globally just like the United States.\textsuperscript{51}

While both the George W. Bush and Obama administrations attempted to avert a confrontation with China, by the time Trump arrived in office the United States could no longer pretend that this prospect could be staved off in perpetuity. Consequently, Trump’s declaration of China as a strategic competitor only confirmed what many nations in the Indo-Pacific had long sensed was an emerging reality. Yet even that denouement did little to clarify how the return to a new and possibly intensified bipolar rivalry might play out in the years to come.

Wayward Nationalism in Power and Its Consequences

The domestic stresses within the United States described above combined in complex ways to bring Trump to office in January 2017. His election signified the emerging power of nationalist elements within American politics and signaled the fracturing of the internationalist-nationalist coalition that, by marginalizing isolationism, sustained the hegemonic role that the United States had assumed since the end of World War II. The internationalists believed that preserving U.S. global dominance and maintaining the

\textsuperscript{50} Aaron L. Friedberg, A Contest for Supremacy: China, America and the Struggle for Mastery in Asia (New York: W.W. Norton, 2011).

\textsuperscript{51} Tellis, “Pursuing Global Reach.”
international institutions that manifested it both served Washington’s interests and were good in themselves—and hence were worth the costs. The nationalists had no particular affection for international institutions per se but supported them to the degree that they served to achieve the objective of defeating the Soviet Union.\textsuperscript{52} The isolationists, who had been discredited by the war, remained on the sidelines until the economic crises and the political reversals of the post–Cold War period gave them a new lease on life on both the right and the left. On the right, these neo-isolationists grew intensely critical of what they perceived to be Washington’s imperial behavior abroad. On the left, the failure to invest in domestic reconstruction because of expensive foreign entanglements became the new foundation for political mobilization in the face of growing national inequality and losses to foreign trade. These grievances also increased the disenchantment among the nationalists. Seeing little inherent value in international institutions at a time when their specific costs to the United States seemed to exceed the benefits they provided, and when U.S. allies were perceived as not paying their fair share, the nationalists effectively joined ranks with the neo-isolationists to question the benefits of these external commitments for Washington.\textsuperscript{53}

Riding the support offered by such critics, Trump came into office suspicious of the United States’ external engagements and in particular the benefits of alliances and international institutions. His determination to revoke these foreign commitments was complemented by a consequential domestic shift as well: instead of promoting a civic nationalism that debated how “a more perfect union” of peoples drawn from diverse backgrounds and beliefs could be constructed, Trump championed an ethnic nationalism that, returning to earlier traditions in American politics, effectively painted nonwhites and immigrants (especially Hispanic immigrants) as threats to his nativist vision of the United States.\textsuperscript{54} Accentuating the grievances of his nationalist base, he displayed little regard for the country’s constitutional ideals and deepened the polarization in American politics through, among other things, his disrespect for governing norms when in office. This contempt reached its nadir on January 6, 2021, when Trump encouraged armed


protestors to storm the U.S. Capitol in an effort to overturn his November 2020 electoral defeat.

While the Trump years were destructive of democracy at home, his presidency only underscored for international audiences that the United States was a deeply divided society; that its long-standing effort to escape the Old World’s struggles with ethnicity, class, and race had by no means been as successful as it previously seemed; and that, given the rising discontent about the burdens associated with preserving external order, Washington could no longer be counted on to act as the guardian of the international system as it was throughout the postwar era. For all of Trump’s actions that confirmed these doubts, however, his policies while in office were more substantively erratic than ideologically consistent. Neither his domestic nor his foreign policies exhibited a coherence that advanced his nationalist foreign policy goals or even dependably benefited his larger nationalist base. Consequently, there was no successful “displacement strategy” that permitted him to durably replace inherited policies with his new populist approach. The attacks on trade, economic interdependence, and globalization; the assault on U.S. alliances and the liberal international order as well as the confrontation with China; and U.S. management of the Covid-19 pandemic thus demonstrated Trump’s disjointedness in myriad ways but also simultaneously reflected the limits of his wayward nationalism.

**The U.S. War on Trade**

Trump entered office intent on exiting as many multilateral trading arrangements as he could because of his belief that only bilateral engagements protect U.S. interests. Consequently, he pulled the United States out of the long-negotiated TPP—the one agreement that might have not only enlarged U.S. gains from trade in Asia, while limiting China’s advantages simultaneously, but also cemented U.S. leadership in developing new trading rules that would have benefited the United States in the emerging global economy. Trump sought to similarly exit the North American Free Trade Agreement (NAFTA) and other previously negotiated bilateral pacts, but his more temperate subordinates persuaded him to negotiate revisions that only marginally improved the agreements—as became evident in the Korea-U.S.

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Free Trade Agreement and the U.S.-Mexico-Canada Agreement (USMCA) that replaced NAFTA.

Trump further attempted to rectify what he perceived to be the burdens imposed by free trade by seeking to reduce the bilateral trade deficits with key states. This included sharply raising tariffs on spurious national security grounds, compelling additional purchases of U.S. products, and attempting to resharoe manufacturing so as to reverse the job losses that were intensified by the China trade shock. None of these solutions delivered on his ostensible goal: forcing the decoupling of the U.S. and Chinese economies.\(^\text{57}\) In fact, the only arguably successful example of decoupling was provided by China in the digital realm, where the powerful Chinese state was able to constrict both U.S. companies and its own society to maintain a largely Chinese ecosystem. In contrast, the relatively weaker U.S. state could not compel its own private companies to leave the Chinese market. By the time Trump left office, the U.S. trade deficit was larger than before and the reshoring effort petered out because, in the absence of macroeconomic, trade, currency, and tax reforms, the logic of the global marketplace kept manufacturing where it was most efficient—primarily in China, with some modest displacement to other low-cost Asian countries. The gains at home, however, were meager. As one authoritative study concluded, the United States had “not reclaimed manufacturing jobs in any material way.”\(^\text{58}\)

Trump’s efforts at undoing international economic interdependence thus failed because they buttressed up against the much stronger imperatives that were driving globalization.\(^\text{59}\) These forces could not be arrested by Trump’s piecemeal attacks, although his rhetorical aggression against trade did create consternation in the minds of many Asian leaders whose nations’ economic fortunes depended on the survival of the international trading system. The Trump administration’s economic war with China, however, induced many Asian states to consider supplemental insurance strategies. For the most part, these included diversifying their investments beyond China and creating greater redundancy in their supply chains. These measures had already been contemplated prior to Trump’s arrival in office because of the fears provoked by China’s previous economic coercion and the shifts in comparative


advantage produced by the rising cost of Chinese labor. Trump's policies, therefore, altered the patterns of regional investment on the margins, but they could not undo the dense webs of globalization. On this count, the structural factors that animate global capitalism proved to be far more resilient in the face of state agency, even if that agency was exercised by the world's most powerful leader.

The chapters in this volume corroborate this conclusion from other perspectives. Suisheng Zhao's chapter on China suggests that even though the fundamental patterns of globalization remain resilient, Beijing has begun to double down on statist control of the economy, partly because of its fears that the changing U.S. attitudes to trade might deny it access to international technology and markets in the years ahead. But China's new strategy of "dual circulation," which attempts to expand the domestic market as a complement to export-driven growth, is motivated as much by internal concerns about rising inequality and Xi Jinping's desire to enforce greater party control over the economy. China's centrality in the global manufacturing system—which shows no signs of diminishing—therefore suggests that any genuine restructuring of the global value chains is still a long time away. Michael Green's chapter on Northeast Asia also confirms this point. Japan, South Korea, and Taiwan are indeed seeking to diversify their economic ties beyond China, especially in the technology arena, for both strategic and economic reasons. But for the foreseeable future the extant links promise to remain prominent. As a state seeking to become an industrial power, India represents an interesting case. Rohan Mukherjee points out that the threat of deglobalization heralded by Trump's rhetoric has opened opportunities for New Delhi to entice those businesses looking for options outside China. India's record in attracting this shift on a significant scale, however, has faltered largely because of internal failings, even as its own trade dependence on China remains remarkably robust.

Given the centrality of trade to the Southeast Asian economies, it is not surprising that Trump's war on economic interdependence and the U.S. exit from the TPP have been disconcerting. Huong Le Thu's chapter indicates that despite their significant strategic concerns about Beijing, most nations within this region view the threat of U.S.-China economic decoupling with alarm, even though its specific impacts are still incomplete and ambiguous. The conspicuous exception is Vietnam, which has benefited from business diversification from China. A similar situation exists in Oceania. Although Australia has moved perceptibly closer to the United States in recent years thanks to Beijing's aggressive attitude toward Canberra (with New Zealand following), Rebecca Strating and Joanne Wallis's chapter highlights the reality that all the regional states (including Australia and New Zealand) are still
deeply intertwined with China economically. Many of the small Pacific Island states seek to benefit from both the United States and China. While their larger neighbors contemplate bolder strategies of economic diversification, the kind of decoupling from China that the Trump administration sought to engineer has proved beyond reach even where major U.S. allies are concerned.

Russia, as Marcin Kaczmarski points out, is a remarkable outlier with respect to the threat of deglobalization. Outside of energy exports and the arms trade, it is a marginal participant in the international economic system. Moreover, Russia’s troubles with the West, which have resulted in more stringent U.S. sanctions, have led to deepened cooperation with China that is unlikely to disappear anytime soon.

On balance, therefore, Trump’s campaign against multilateral trade, and in particular bilateral trade with China, though startling, did not produce any transformative reversal of globalization—as was to be expected given the power of capitalism operating across state boundaries. As Barry Eichengreen summarized, “if by globalization we mean an era when flows of merchandise, capital and labor across borders grow several times faster than GDP, then we can say that this phase in global affairs is already over” because of the overall slowdown in international economic growth since the financial crisis. But if globalization implies “a state where national economies are linked together by those flows—subject to adjustments as different countries see fit—then globalization remains firmly in place.”

The International Order and U.S. Alliances during the Trump Years

The evidence also suggests that Trump did not do much better when it came to restructuring the United States’ engagement with the world, including reforming its alliances. The failure to understand the intimate relationship that exists between a world order that benefits the United States and global institutions and alliances underwritten by U.S. power prompted Trump’s attacks on these institutions and alliances. Consequently, he withdrew the United States from membership in the UN Educational, Scientific and Cultural Organization (UNESCO), the UN Human Rights Council, the Paris Agreement, and the Joint Comprehensive Plan of Action with Iran. He also pulled the United States out of negotiations pertaining to the United Nations’ Global Compact for Migration, ended funding for the UN Relief and Works Agency, and exited the Open Skies and Intermediate-Range

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Nuclear Forces (INF) treaties with Russia. While Trump’s protests about some of these institutions and agreements were amply justified, his pique did not always produce results favorable to the United States. Barring the decision to exit the INF Treaty, the impact of his other withdrawals ranged from questionable to unfavorable. For one thing, most of the international organizations affected by the United States’ departure have survived—often with the support of others—thus leaving Washington without opportunities to shape their direction.

Mistreating allies, at any rate, had potentially more serious consequences. Because of his belief that alliances were merely a one-way street, with Washington offering protection without getting anything in return, Trump repeatedly insinuated that the United States might not be bound by its strategic obligations in extremis if the allies did not pay more. His more responsible subordinates, however, worked to protect U.S. alliances in both Europe and Asia because of their importance for protecting both U.S. security and primacy. Exploiting Trump’s obsession with more equitable burden sharing, they utilized the additional resources gained from Trump’s negotiations to actually reinvigorate the alliances to meet new emerging threats. On this score, allied leaders in Asia often helped their own cause greatly. Recognizing, for example, the importance of the U.S.-Japan alliance for Japanese security, or the import of Trump’s iconoclastic outreach to North Korea for peace on the Korean Peninsula, or the value of the U.S.-India partnership for New Delhi’s own interests, Shinzo Abe, Moon Jae-in, and Narendra Modi, respectively, artfully engaged Trump in ways that disarmed him and deflected his more egregious demands, arguably to the advantage of both sides.

Between the extraordinary efforts made by Trump’s national security officials and the adroit handling of a mercurial U.S. president by various foreign leaders, the United States miraculously found itself at the end of Trump’s term with sharply improved relations with most of its Asian partners. Although the same could not be said generally of Washington’s ties with Europe, the fact that the Asian affiliations were strengthened despite Trump’s own instincts was critical in the context of the evolving U.S. competition with China. The imperative of constraining both China’s geopolitical aggressiveness and its economic misdeeds should have induced Trump to treat the United States’ European allies with greater consideration. Defeating China’s statist

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globalization certainly required European collaboration, especially given Beijing’s efforts to cleave Europe from the United States.\textsuperscript{64} By failing to appreciate that Washington's grievances toward its European alliance partners on both economic and security issues were insignificant in contrast to its problems with Beijing, Trump lost the opportunity to consolidate a common transatlantic front against China just when the Sino-U.S. rivalry was finally shifting into high gear.\textsuperscript{65}

On this count, Trump himself proved to be curiously uninterested. Although his administration was articulating and implementing a major change in U.S. national strategy toward China—shifting from the previously optimistic approach that emphasized cooperation to a more realistic posture that accepted the realities of geopolitical competition—Trump personally focused first on flattering Xi Jinping and later on prosecuting a confusing trade war with China that attempted to reduce its trade surpluses rather than correct its trade malpractices. The “phase two” agreement that was intended to address these problems never materialized because of Trump’s 2020 electoral defeat. All the same, it was remarkable how his national security aides were able to stitch together, albeit uncomfortably, an intellectual framework—exemplified most clearly by the 2017 National Security Strategy—which married the president’s America-first rhetoric to a strategy that nonetheless discharged U.S. global security obligations in the face of Trump’s disinterest. Consistent with the vision articulated in that document, his national security team focused sensibly on the challenges posed by China’s threat to U.S. technological domination, its expanding global influence through the Belt and Road Initiative, and the dangers to U.S. power projection in Asia and globally.

Even if the instruments used to counter these challenges were not always effective (or appropriate), the Trump administration deserves credit for reorienting U.S. policy toward China. The elevation of the Indo-Pacific as the centerpiece of U.S. regional strategy; the resuscitation of the Quad with Australia, India, and Japan; the enhanced strategic cooperation with Japan and Taiwan; the renewed focus on Oceania; the gradual shift in U.S. strategic investments away from Southwest Asia (along with the new realignments in the Middle East); the vigorous assertion of freedom of navigation and overflight throughout the Asian rimland (and especially in Southeast Asia);


and the emphasis on revitalizing U.S. defense capabilities to project military power more effectively to service U.S. extended-deterrence obligations in Asia must all be counted as strategic successes in the larger effort at balancing China. 

This beneficial outcome highlights a reality that was last witnessed clearly during the Cold War: rising international political competition that embodies dangers to critical U.S. interests tends to obliterate the distinctions between nationalist and internationalist solutions to U.S. security predicaments. Although their conceptual underpinnings may diverge, these solutions end up looking very similar in practice.

The imperative of protecting these interests is highlighted by Zhao's chapter in this volume, which illuminatingly documents how Xi's arrival at the helm of Chinese politics set the nation on a more confrontational course. Clearly, the shift in the underlying material balance of power created the preconditions for this metamorphosis. But Xi has distinguished himself from his predecessors by transparently declaring his ambition to take a strong China to the center stage of global politics. He envisions a China that will protect its core interests, if necessary by resisting the United States, over and above the priority previously placed on assuring the international community that it was indeed intent only on rising peacefully. The emergence of this powerful and unyielding China represents a structural transformation in the international system—a gradual return to bipolarity on current trends. Hence, it is not surprising that this incipient shift in systemic polarity—and the resulting upsurge in competition with the United States—remains, as the chapters in this volume clarify, the single most important aspect of the era of tumult affecting all the states in the broader Indo-Pacific.

Only Russia on this count has been exceptional again, as Kaczmarski's discussion indicates. Yet this is only because Moscow had already embarked upon a strategic partnership with China to counter the United States as a common threat long before the Trump administration declared Beijing to be a strategic rival. For all other states, this declaration and the actions surrounding it were catalyzing not because the confrontation itself came as a surprise but because Washington's transparent acknowledgment of its reality put them into a situation where they could now be faced with hard choices—depending on where Trump and his successors might take the United States. As Mukherjee notes, the upsurge in U.S.-China rivalry provided new opportunities for India because Sino-Indian ties happened to fray at roughly the same time. Washington's strong support for New Delhi during its own crises with Beijing opened the door for a deeper U.S.-India partnership.

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However, India’s enduring interest in rising as an independent great power, in a manner analogous to China on this count, implies that India and the United States will have convergent but not necessarily congruent interests over the long term—depending on what happens to India’s own internal revitalization and Beijing’s behavior toward New Delhi in the interim.

Such concerns are less pressing where U.S. allies are concerned. Green’s and Strating and Wallis’s discussions in their chapters on Northeast Asia and Oceania, respectively, confirm that Japan, South Korea, Taiwan, Australia, and New Zealand have only intensified their alliance relationships with the United States because of the rising Chinese threat. These states dexterously managed Trump’s idiosyncrasies and, given their inability to neutralize the dangers posed by Beijing independently, have expanded their contributions to collective defense at a time when Chinese assertiveness appears to be unrelenting. Strating and Wallis observe that the smaller island states in Oceania have actually benefited from the U.S.-China rivalry insofar as it has created space for them to profit from the attention of both big powers.

In Southeast Asia, where fears of China are widespread but closeted, Le Thu highlights Vietnam’s exceptionalism in resisting China openly. This contrasts with other countries in the region, including formal U.S. allies such as Thailand and the Philippines, which have been more circumspect, although for different reasons in each case. The continuing economic dependence of the Southeast Asian states on China, combined with their military weaknesses and proximity, has altogether pushed them to hope that the U.S.-China competition simply goes away. The fear that it might not, and could even become more unmanageable, only fills them with great trepidation.

On balance, then, many key U.S. bilateral relationships in the Indo-Pacific region have been deepened in the face of the United States’ rising competition with China. That these ties have improved despite Trump’s personal skepticism about alliances testifies both to the power of structural pressures produced by intensifying Chinese threats and to the resilience of old affiliations, not to mention the energetic efforts of Trump administration officials in protecting U.S. security partnerships with the most important countries along the Asian rimland.

The U.S. Response to the Covid-19 Pandemic

Although the Trump administration chalked up important gains on strategic issues, especially in Asia, its catastrophic shortcomings with respect to managing the Covid-19 pandemic irreparably harmed the United States’ international reputation. The outbreak of the pandemic was clearly a surprise, but Trump’s response only made a bad situation worse. Obviously,
this tragedy, which has to date cost the United States over 800,000 lives and counting, was produced by multiple intersecting factors. The decentralized public health administration in the United States, the striking missteps of the premier federal agencies responsible for public health, the limitations of a medical system that prioritizes efficiency over resilience, the corrosive domestic politics that catalyzed resistance to public health measures, and the sheer lack of knowledge about how to manage a novel pathogen all contributed to the early difficulties that the United States had in responding to the pandemic. Tragically, Trump's attitude and behavior amplified these problems, which were only compounded by the unwillingness to mobilize the international community in developing a cooperative response to what was the most acute collective action problem (besides climate change) to confront humanity in recent years.67

Investing in an enlightened internationalism in the face of the pandemic would not have required the administration to subordinate the interests of Americans to other nations. The United States understandably would have prioritized the provision of personal protective equipment and medicines (and eventually vaccines) for its own citizens. But by failing to rope in the international community in a coordinated plan of action—because defeating the pandemic is ultimately a coordination problem, not a prisoner's dilemma—the United States lost an opportunity to develop effective solutions to the problems posed by divergent international travel restrictions, global inadequacies relating to the production of medical (and eventually vaccine) supplies, and the need for heightened financial assistance, especially to highly indebted countries. In sharp contrast to the efforts of Bush and Obama during the global financial crisis, when the United States led the global effort to manage the calamity, Trump did little to strengthen the international order even when that might have directly benefited the United States.

Against the larger tale of woe, however, the Trump administration did register two significant achievements. To begin with, Operation Warp Speed helped accelerate the development of Covid-19 vaccines and bring them to market in record time. The huge anticipatory orders placed with multiple manufacturers positioned the United States to inoculate its citizens faster than any comparably sized country could have. Given these successes amid all the tribulations, it is particularly tragic that the United States still has not conclusively defeated the Covid-19 pandemic in large measure because of vaccine resistance, which arguably derives from a self-regarding culture that

both prizes personal freedom over collective responsibility and is distrustful of elites to the point of disregarding science at its own peril.68

Another important accomplishment, which is directly owed to the U.S. Federal Reserve Bank but must nevertheless be acknowledged as possibly arising from Trump’s public pressure, was the continued sustenance of global liquidity in much the same way that Washington did earlier during the global financial crisis. By providing decisive leadership through domestic interest rate management and emergency assistance to central banks abroad, the United States stabilized asset markets worldwide, as well as foreign currencies, thus affording the global economy breathing room to manage what would have otherwise been a catastrophic meltdown. The massive domestic stimulus also provided the supporting effective demand for export-reliant countries as well. The costs of underwriting global stabilization in this way obviously still have to be repaid, but if the United States can emerge stronger after the pandemic—something that domestic vaccine hesitancy still undermines—it will have been well worth the burdens where protecting American hegemony is concerned.69

The long-term costs of the Covid-19 pandemic are obviously still unclear. One authoritative study has suggested that the deleterious macroeconomic consequences of pandemics appear to persist for around 40 years.70 The IMF has already estimated that the pandemic will cost the global economy close to $30 trillion in lost output.71 And the International Institute of Finance has estimated that governmental rescue plans worldwide have added $24 trillion to global debt, pushing the overall total to a record $281 trillion.72 These realities should temper any undue optimism that the economic recovery now visible in many countries, including the United States and countries in Asia, implies an inexorable return to normalcy. As the IMF concluded in June 2020, “the extent of the recent rebound in financial market sentiment

appears disconnected from shifts in underlying economic prospects...raising the possibility that financial conditions may tighten more than assumed.\textsuperscript{73}

The chapters in this volume highlight the fact that national performance in managing the Covid-19 pandemic varies considerably. Zhao notes that China, from whence the virus emerged, has been most successful in containing its spread domestically. Its resolute authoritarianism has made the country far more effective in managing the pandemic than some of its democratic counterparts. Beijing has also made a faster economic recovery than most other regional states, despite the fact that its zero-tolerance policy is now impeding a return to full normalcy. However, the early success of China’s mask and vaccine diplomacy is unlikely to be as enduring as Beijing would have hoped, because its highly dramatized vaccine and personal protective equipment exports were eventually found to be marred by many shortcomings.

Green’s discussion of Northeast Asia notes that Japan, South Korea, and Taiwan mismanaged their vaccine rollouts after early successes at containment. As a result, in contrast with the impact on Xi Jinping, the pandemic has partly discredited their national leaders at a time when the competence of democracies worldwide in managing the public health crisis has been questionable. Green, nonetheless, concludes that the pandemic has not fundamentally transformed any of the long-term trends already underway in the region, but that in itself is not automatically reassuring. Although Northeast Asia survived Trump’s turbulence better than one would have expected, the secular trends pertaining to economic and population growth, technological innovation, and the military balances vis-à-vis China still remain issues of concern.

A similar set of challenges afflict both India and Southeast Asia. Mukherjee’s assessment of India suggests that the country, which was terribly hard hit by the Delta variant, will make a comeback where economic growth is concerned but that its medium-term prospects will depend heavily on whether the Modi government can move dogedly on resuscitating domestic economic reforms. In particular, the weaknesses in private consumption and investment must be bridged by public investments and trade if India is to recover the domestic growth needed to sustain both Modi’s burgeoning welfare programs and the rising defense expenditures necessary to balance a more aggressive China. Le Thu’s chapter on Southeast Asia emphasizes that the Covid-19 pandemic has taken a toll on public health while producing a crisis in both governance and defense modernization. At a time when coping with rising Chinese power is the ubiquitous challenge throughout

the Indo-Pacific, vaccination disparities within the region, coupled with
the enticements of China’s vaccine diplomacy, threaten to produce both an
uneven recovery and increased Chinese influence in an already unsettled,
but critical, area of the Asian rimland.

The states in Oceania appear to have managed the pandemic better than
most, but, as Strating and Wallis note, they too have not been immune to its
external consequences. The collapse of tourism and foreign remittances have
had particularly deleterious impacts on the Pacific Island states. The impact
of the pandemic on Russia seems less clear. Kaczmarski observes that the
economic effects have been unexpectedly mild so far—with the initial collapse
of energy demand having more serious consequences. But he also flags the
uncertainties associated with the absence of good information and argues
that the demographic costs could be especially high. The Covid-19 pandemic,
he emphasizes, has undermined Russia’s efforts to reverse its demographic
decline, with the decrease in national population showing the sharpest drop
since 2005.

Whatever the various national stories about the pandemic’s impact may
be, the bottom line seems clear: Covid-19 has set back economic growth
throughout the Indo-Pacific. China’s ability to come out of the pandemic
faster than most other countries suggests that it will have outsized advantages,
at least in the short term, in the quest to restore its geopolitical centrality.
The United States’ efforts to strengthen its primacy unfortunately have not
accrued similar advantages in part because of the tumultuous legacy of the
Trump years.

Repairing the Damage

Biden came into office after Trump’s turbulent presidency vowing to
repair the damage done to the United States at home as well as to the liberal
international order abroad. His first year as president focused almost entirely
on domestic concerns: protecting democracy, revitalizing the middle class,
and accelerating the recovery from Covid-19. These three goals are deeply
intertwined, and Biden’s strategy has consisted fundamentally of increasing
governmental expenditures to advance them simultaneously. The $1.9 trillion
American Rescue Plan Act focused on providing additional direct financial
assistance to Americans to help cope with the pandemic, while extending
unemployment and healthcare benefits. As a complement to financial support,
he has also aggressively promoted Covid-19 vaccination, including through
diverse mandates and incentives, in an effort to sustain the momentum of
the economic recovery. More expansive governmental funding has also been
unleashed. The Infrastructure Investment and Jobs Act committed more than
$1 trillion over a decade to fund physical infrastructure, public transit, and broadband expansion. And a third vehicle, the roughly $2 trillion Build Back Better Act, whose final size and scope are still being negotiated in Congress at the time of writing, is intended to shore up social welfare programs while also targeting climate change.

These initiatives, which could top out at beyond $4 trillion eventually, are intended to bolster the middle class through focused government spending that seeks to remedy the losses suffered in the marketplace due to the economic transformations of the last few decades. If these spending plans deliver as intended, Biden will have succeeded not only in alleviating some of the economic grievances that partly drove Trump’s ascent to power but also in credibly demonstrating that democracy can work for ordinary citizens who consequently do not have to rely on either a populist mobilization or a divisive politics that destroys existing institutions in order to protect their political, economic, and social interests. While Biden’s aims obviously include weaning back many of Trump’s nationalist supporters to the Democratic Party, securing their renewed allegiance is also important if the United States is to successfully reclaim its global leadership and return to its traditional role as the guardian of the liberal international order. After all, if the domestic support for this ambition is lacking, no president—regardless of vision or zeal—will be able to sustain this mission. The best device, accordingly, for mustering such support is to demonstrate that protecting the hegemonic order actually pays off in terms of material benefits for the citizenry.

Securing these gains, therefore, requires greater investments at home to begin with. But they must be complemented by wise policies abroad. On the latter count, Biden has signaled his determination to work closely with allies; to protect U.S. interests by force if necessary, but without indulging in reckless wars; and to strengthen international institutions (sometimes by simply rejoining them) in order to sustain a favorable normative order that economizes on the active use of U.S. power to produce beneficial outcomes. Given the convulsive legacy of the Trump years, it will be a while, however, before the international community can be persuaded either about Biden’s ability to make good on his intentions or that the domestic support for sustaining hegemonic responsibilities has been rebuilt within the United States. Biden’s emphasis on global coordination to combat the Covid-19 pandemic, his increased commitment to sharing vaccines abroad, and his ambition to create a global partnership to detect and respond to emerging public health threats augurs well for restoring confidence in U.S. leadership, although much more remains to be done.

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Two pronounced elements of continuity with Trump’s foreign policy persist on Biden’s watch. First, the Biden administration has accepted the reality that China is a great-power competitor of the United States. Although that reaffirmation is reassuring for many critical Asian states, the administration’s inability to define the contours of competition clearly thus far amid the resilient backdrop of economic interdependence—a task that also eluded Trump—will complicate ties with U.S. allies and others both in Asia and especially in Europe. Achieving a balance between competition and cooperation with China is undoubtedly a complicated matter. U.S. interests would be best served if the elements of rivalry are restricted primarily to protecting the United States’ military superiority, technological dominance, and ideational attractiveness. Still, the policy predicates of even these restricted goals and their internal tradeoffs are numerous and complex. But limiting the antagonism to what is most important for preserving U.S. primacy and allied security at least allows for cooperation in other areas that mitigates conflicts, while permitting the United States to maintain those absolute gains from continued economic ties with China that are essential for both increased welfare benefits and successful competition with Beijing.  

Implementing such an approach necessarily requires the United States to make investments in its own domestic economic revitalization, something the Biden administration appears to have clearly grasped even if many other aspects of the solution remain a work in progress. It also requires the administration to focus on correcting the unfair sources of China’s current trade advantages—forced technology transfer, the theft of intellectual property (including through cyberattacks), the subsidies to state owned-enterprises (and other private entities), and the pervasive industrial policies, among others—if the bilateral trade relationship is to be sustained in ways that provide mutual benefit. Unfortunately, during its first year the administration appears to have been more interested in implementing Trump’s phase-one agreement with Beijing than in addressing these fundamental structural distortions. Countering these challenges, as well as the security threats posed by China, will ultimately require dominance of the global innovation cycle as well as deepened collaboration within the transatlantic community and with the United States’ Asian allies, tasks that require renewed focus both at home and abroad.

Second, the Biden administration appears to have—again unfortunately—persisted with its predecessor’s animus toward international trade. Partly scarred by the distributional costs of past trade openness, especially with

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China, the administration has doubled down on its “buy American” agenda. This decision not only exemplifies a pernicious mercantilism but also sustains an undesirable continuity with Trump’s economic policies. The retention of many of the tariffs (especially on allies), the desire to pursue an amorphous “worker-centric” trade policy, and the deep reluctance to consider even plurilateral trade agreements that are highly favorable to U.S. geopolitical and economic interests, such as the TPP, suggest that the political benefits of avoiding leadership on trade take precedence over an economic strategy centered on sensible international integration. The importance of resuscitating international trade should be rooted not merely in the symbolic imperatives of signaling returning U.S. leadership in an open international economic order. Rather, the pursuit of this goal should be driven fundamentally by the material imperatives of securing those efficiencies that are essential to successfully competing with China across the board and warding off the rising international drift toward localization, autarky, and trade barriers in both goods and services. China’s political assertiveness has undoubtedly increased the incentives for many countries to pursue various import substitution strategies as a means of mitigating risk. While some such insurance is necessary, the United States should not as a rule cast its lot with protectionism, however disguised, if it is to preserve market access abroad and sustain the competitiveness that makes it the world’s most innovative economy.