NIKKEI ASIAN REVIEW
21 December 2020

# Vietnam's bittersweet moment in Trump's spotlight

**Currencies set to be the next flashpoint between Washington and Asia**

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How does one say "saved by the bell" in Vietnamese?

Like a proper schoolyard bully, the Trump administration could not resist poking developing Asia one last time on the way out the door. Not China, but comparatively tiny Vietnam, which the U.S. Treasury gang just branded a "currency manipulator."

Call it retribution for Hanoi winning Donald Trump's trade war. All his whacks at China did was drive production from President Xi Jinping's economy to Prime Minister Nguyen Xuan Phuc's. The factory jobs Trump thought would return to Indiana and Texas ran to Ho Chi Minh City instead.

If hitting Vietnam is Trump-speak for "Good Morning, Vietnam!," it is also a wake-up call for the incoming Joe Biden administration. Not just because the president-elect must fix the relationships Trump left bruised and battered, like fledging U.S. ally Vietnam. But because currencies are the next likely flashpoint between Washington and Asia.

The dollar's decline is making Asia antsy -- down 5% against the yen alone this year. Given how Trump let COVID-19 run wild, drove U.S. debt past the $27 trillion mark and neglected long-term challenges, traders are right to short the dollar. The question, though, is whether Trump set the stage for a full-blown currency war with Asia -- one that may break out on Biden's watch.

Ironically, Trump decided not to label China a manipulator this year. The optics of doing so would be complicated. The yuan is up 6% this year. Nor has the People's Bank of China gone hog wild easing like Trump's Federal Reserve. Xi could easily counter that if anyone is playing fast and loose with exchange rates it is Trump.

Yet Asia took the lion's share of spaces on the White House's currency watchlist. Among the governments placed on Trumpian double-secret probation are China, India, Japan, South Korea, Taiwan and Thailand. This is Trump-speak for "Behave, or else!"

The good news -- and hear that bell ringing in the distance -- is that Biden's presidency, beginning Jan. 20, will be less mendacious and mercantilist. Biden aims to get the U.S. back into shape, not shake down Asia. First, by taming COVID-19. Then, by countering Xi's Made in China 2025 project with a Buy American imperative.

The bad news: it may be too late. The fallout from the lost economic year that was 2020 will come into greater focus on Biden's watch. India, Indonesia, the Philippines and Vietnam can only get so far with monetary easing and government rescue packages. Asia's more developed powers, like Japan and South Korea, also need a big growth engine to ride to recovery.

The 2% growth many hope China will produce is nice. It is not enough, though, to stabilize the region in 2021 the way it did in 2008 amid the Lehman shock. The U.S. will likely stumble along in 2021, even as vaccines arrive. The Republicans likely to control the Senate will do little to support the Biden-era economy. In fact, they may even sabotage it. Europe might stagger along, at best, while the return of deflationary forces dominates Japan.

That leaves exchange rates. Currency managers are already getting restless. In Seoul, for example, officials have been intervening in foreign exchange markets. As a result, the won is down 5% this year. In Jakarta, Bank Indonesia's fingerprints are all over the rupiah's nearly 2% drop.

Yet China, Japan, Thailand and others might soon join this race to the bottom. As China faces an increase in corporate defaults, Xi needs all the tail winds he can find. Japanese Prime Minister Yoshihide Suga cannot be happy with the yen's powerful rally this year. Last week, the Thai baht soared to an 11-year high the same day Washington put Bangkok on its manipulators watchlist.

Vietnam's own moment in the Trumpian spotlight is bittersweet. On the one hand, it seems a coming-of-age moment showing Hanoi's rising clout as a trade partner. On the other, it seems a harbinger of tensions to come.

Biden would be wise to take Asia's currency angst in stride. It is, in part, a response to the ways in which Trump's tariffs wrecked Asia's supply chains. Yet a stable, growing Asia is in America's best interest. The more incomes in this region rise, the greater the demand overseas for Apple's iPhones, General Motors' vehicles, Nike's shoes, Hollywood's movies and Amazon's platforms.

Asia should tread carefully, too. After three years of trade warring, adding a currency battle into the mix could backfire. Somehow, stock markets from Tokyo to New York staged big rallies even as COVID-19 destroyed untold trillions of dollars of gross domestic product. Currency chaos could send equity and debt markets into the red, perhaps deeply. GDP, too.

We could be talking "wars" here. As GDP stagnates, we might see currency authorities in North Asia clash with Southeast Asia; intraregional dust-ups in North Asia and locally in Southeast Asia; and a broader East-West conflict.

Biden can indeed play a constructive role in heading off this escalation. Odds are, he will do just that early and often. Yet currency clashes seem an inevitable part of a Trumpian era that cannot end soon enough.