



Uncertainty reigns in China-US relations

Chen Weihua

January 20, 2017

It is said that the US news media take Donald Trump literally but not seriously, while his supporters take him seriously but not literally.

When the New York real estate tycoon takes office today as the 45th president of the United States, the world will listen carefully to the message coming from his inauguration speech. Especially China.

Unlike his recent predecessors, Trump is seen as full of uncertainty and unpredictability by the rest of the world, including many foreign policy experts on China-US relations.

As president-elect, Trump broke a four-decade US diplomatic protocol in early December by speaking on the phone with Taiwan leader Tsai Ing-wen. He told The Wall Street Journal last week that the "One China" policy is negotiable.

During his presidential campaign, Trump talked about slapping 45 percent tariffs on Chinese exports, triggering wide concern about a possible trade war between the world's two largest economies. He has also vowed to name China a currency manipulator once in office.

The 70-year-old Trump has also caused anxiety among US traditional allies by saying that Japan should pay more for the US military stationed there. Early this week, he called NATO obsolete.

Michael Pillsbury, a senior fellow and director of the Center for Chinese Strategy at Hudson Institute and an adviser to Trump's transition team, noted that Trump mentioned in his 2016 campaign book *Great Again* his admiration for China's negotiation skills, and said he wanted to appear "unpredictable" to the Chinese.

"In this, he has richly succeeded," Pillsbury wrote in his Jan 13 article posted on Hudson's website.

Trade war

Since announcing his presidential campaign on June 16, 2015, Trump has blamed China, Mexico and other countries for US trade deficits and loss of manufacturing jobs. He threatened to impose punitive tariffs on imports from China.

Though he has not mentioned the 45 percent tariff for a long while, he continued to say that the US is disadvantaged by China in trade, including blaming then-president Bill Clinton for allowing China to join the World Trade Organization (WTO).

Trump's pick of Peter Navarro, a long-time China hawk, as head of his new National Trade Council, has increased concern about more trade friction. Navarro wrote several books on China, including *Death by China*, in which he blames US economic woes on China.

On Wednesday, Trump's nominee for Commerce secretary, Wilbur Ross, a billionaire who has done business in China, called China "the most protectionist country" in his Senate confirmation hearing.

China has struck back. Officials and scholars argue that China is "invulnerable" to trade war given its centralized government system. Some experts even list major US companies, such as Apple and Boeing, as possible targets of Chinese retaliation. China is the largest overseas market for Boeing. The company expects that China will buy 6,800 new planes worth \$1 trillion over the coming two decades.

US agricultural products might also be a target. China replaced Canada in 2011 as the largest market for US agricultural goods.

In Beijing on Thursday, Ministry of Commerce spokesman Sun Jiwen said the Chinese government is willing to join hands and work with the new US administration to continue promoting the healthy development of bilateral commercial relationship that benefits the two peoples.

"Both sides benefit with cooperation, and both are hurt with conflict," Sun told a press briefing.

"I believe China and the US can resolve any disputes through dialogue and negotiation and that the bilateral commercial relationship will not significantly stray from the path of mutual benefit," Sun said.

"I don't think we are going to have a trade war," said Henry Levine, senior adviser at the Albright Stonebridge Group, a Washington-based consulting firm.

Levine described Trump's advisers and cabinet picks as people who for many years have encouraged the US to get tougher with China in economic areas. "Therefore, I think we are likely to see some measures on trade and investment directed at China, measures that frankly would make the government in Beijing somewhat unhappy," said Levine, a former US deputy assistant secretary of Commerce under George W. Bush's administration.

Some measures taken against China might include restricting its acquisition of US-based companies and more anti-dumping and countervailing duty cases on Chinese exports.

The Obama administration has taken complaints about China to the WTO 16 times, including one last week over China's alleged subsidies for aluminum producers.

A tit-for-tat trade war between the two countries is seen as unimaginable to the already fragile global economy. Some US experts warned that a trade war would almost make it impossible for Trump to achieve his major promise to voters in creating US jobs. US trade with China now

supports 2.6 million US jobs, according to a joint study by the US-China Business Council and Oxford Economics.

At this week's World Economic Forum held in Davos, Switzerland, Chinese President Xi Jinping was in the spotlight for his support for globalization, open trade and combating climate change, in sharp contrast to the anti-trade message from the incoming Trump administration.

Douglas Paal, vice-president for studies and director of the Asia program at Carnegie Endowment for International Peace, believes raising tariffs against China will be hard due to opposition in Congress. House Speaker Paul Ryan, a Republican, said early this month that "we're not going to be raising tariffs."

But Paal said the Trump administration will be looking for progress with China in market access or intellectual property rights. "Overall, the message will be 'it's not good enough, we need a better situation' in our bilateral relationship," Paal said.

Trump's accusation of China being a currency manipulator has drawn rebuke from Fred Bergsten, an economist at the Washington-based Peterson Institute for International Economics. Bergsten, a sharp critic of China's currency policy years ago, is now saying that "China is no longer manipulating its currency."

Many US economists share that view, saying the Chinese government is actually propping up its currency, known as yuan or RMB, from falling, thereby helping the US economy become more competitive.

"It would thus be factually incorrect, as well as ineffectual, for the new Trump administration to label China a currency manipulator," Bergsten said.

One-China policy

Trump's threats are widely seen as a tactic to get better deals with foreign countries. But when he took the phone call from Taiwan leader Tsai on Dec 2 and later tweeted that the One China policy is negotiable, he sparked not only the strongest protest from the Chinese government, but a campaign by the Chinese media, both official and social media.

Sovereignty and territorial integrity, especially regarding Taiwan, touches the sensitive nerve of 1.4 billion Chinese, who still bitterly remember how China was forced to cede Taiwan to Japan under the humiliating Treaty of Shimonoseki after losing the First Sino-Japanese War in 1895. Taiwan was returned to China in 1945 after the Second World War.

The Taiwan issue is widely known in the world as a core interest and red line for China.

After Trump's challenge to the long-standing One China policy, some former US officials and scholars on Taiwan also criticized Trump's ignorance. Richard Bush, a senior fellow at the Brookings Institute, wrote a long open letter to Trump on Dec 13 on the One China policy.

Rex Tillerson, Trump's nominee for secretary of state and a former CEO of Exxon Mobile, said in his confirmation hearing last week that "I don't know that there is any plan to alter the One China position."

While no US leader in the last 40 years has publicly challenged the One China policy, the Taiwan issue heated up at times, causing a major setback in China-US relations. It happened when the US sold arms to the island. For most Chinese, selling arms to a Chinese island is totally unacceptable.

Relations between the Chinese mainland and Taiwan experienced unprecedented peace and development under the eight years of Taiwan's Kuomintang party leader Ma Ying-jeou from 2008 to 2016. The Chinese mainland is by far the largest trade partner for Taiwan, with \$71 billion, or more than a quarter of Taiwan's exports, going to the Chinese mainland in 2015.

The winning of the 2016 election by the pro-independence Democratic Progressive Party (DPP) has brought uncertainty to the ties since Tsai has refused to acknowledge a 1992 consensus reached by the two sides on One China.

North Korea

During his presidential campaign, Trump said that he would be willing to meet with North Korea leader Kim Jong-un. He also said after a North Korea nuclear test in January 2016 that China has "total control" over North Korea and that if China doesn't "solve the problem, we should make trade very difficult with China."

Trump tweeted early this month that "China has been taking out massive amount of money & wealth from the US in totally one-sided trade, but won't help with North Korea. Nice!"

US officials, including Trump's secretary of State nominee Tillerson and Defense secretary nominee James Mattis, have listed North Korea as a major security threat to the US.

Last week's hearings for Tillerson and Mattis came a few days after North Korea announced that it will launch an inter-continental ballistic missile (ICBM) "anytime and anywhere" determined by its supreme headquarters.

"The US is wholly to blame for pushing the DPRK to have developed ICBM as it has desperately resorted to anachronistic policy hostile toward the DPRK to encroach up its sovereignty and vital rights," DPRK's official KCNA news agency quoted the country's foreign ministry spokesman as saying.

In response to Trump's latest tweet, Foreign Ministry spokesman GengShuang said "China's efforts are widely recognized, and we hope all sides will avoid remarks and actions to escalate the situation."

US officials, including outgoing Secretary of State John Kerry, have spoken positively of China's efforts in the denuclearization of the Korean Peninsula, including China's latest endorsement of the UN Security Council resolution in late November of imposing new sanctions on DPRK for its nuclear test in September.

Liu Jieyi, China's ambassador to the UN, applauded the resolution. But he said it pointed out that relevant measures are not intended to produce negative consequences on DPRK's humanitarian situation and the livelihood of its people, not to affect its normal economic and trade activities.

China has long urged resumption of the Six-Party Talks suspended since 2008. The talks on denuclearization of the Korean Peninsula involve DPRK, South Korea, China, the US, Japan and Russia.

While endorsing the UN resolution, China has expressed strong protest over the planned US deployment of THAAD (Terminal High Altitude Area Defense) anti-ballistic missile system in South Korea. Both China and Russia regard the system as posing a strategic security threat to their nations.

Charles Armstrong, a professor of history at Columbia University and an expert on the Korea Peninsula, said these are the strongest sanctions imposed so far, but he is not sure if the sanctions alone could make the DPRK cease its nuclear and missile testing.

"A resolution of the problem can only be reached if there are positive inducements for North Korea to give up or suspend its nuclear program, and that would have to involve dialogue with the US," he told China Daily.

"We will have to see what the Trump administration's policy will be toward North Korea," Armstrong said.

Ted Carpenter, a senior fellow of defense and foreign policy at the Cato Institute, said imposing more sanctions simply continues a strategy that hasn't worked.

"China's willingness to go along with tougher sanctions, though, reflects Beijing's growing impatience with North Korea. It will be interesting to see if Trump adjusts Washington's policy on this issue," Carpenter said.

South China Sea

Trump, known for his loose talker, said during the presidential campaign that "we have rebuilt China, and yet they will go in the South China Sea and build a military fortress the likes of which perhaps the world has not seen."

But the real attention on Trump's views on South China Sea was focused last week when Tillerson described China's land reclamation in the South China Sea as "akin to Russia's taking of Crimea".

"We are going to have to send China a clear signal that, first, the island-building stops," he told lawmakers during the hearing. "And second, your access to those islands also is not going to be allowed."

Tillerson's words drew a sharp response from Beijing, with Foreign Ministry spokesman Lu Kang saying that the tension in the South China Sea has cooled down, and China and countries in the region have returned to two-way talks.

It is hoped outsiders to the region will "respect this consensus" on bilateral talks, Lu said.

On Tuesday, Ben Rhodes, Obama's deputy national security adviser, expressed US concern over the South China Sea, but he said "we've not thought that military confrontation would be the right approach to the South China Sea," a clear rebuke to Tillerson's suggestion.

China has long regarded the US as biased in its words and deeds regarding the maritime territorial disputes between China and some of its neighbors in a bid to bolster US influence in the region where China is the top trade partner for most economies. The US was believed to be behind the Hague ruling last July on the South China Sea in a case brought about by the Philippines.

However, the new Philippine President Rodrigo Duterte, unlike his predecessor Benigno Aquino III, has chosen to distance his country from the US and has sought closer ties with China.

Just last week, Nguyen Phu Trong, general secretary of the Communist Party of Vietnam (CPV) paid a four-day trip to China where he had "a candid exchange of views" on maritime issues, according to a communique issued. In Beijing, Nguyen met both President Xi, Premier Li Keqiang and other senior Chinese officials.

China's warming relationship with both the Philippines and Vietnam also came at a time when Trump announced to withdraw from the 12-nation Trans-Pacific Partnership (TPP) trade agreement. Trump, and Ross, the secretary of commerce nominee, argued that the US will benefit more from bilateral agreement instead of multilateral agreement.

TPP, signed last February, has long been regarded by the Obama administration as the essence of its rebalance to Asia strategy. Trump's planned cancellation and his anti-trade rhetoric has raised serious doubts in other 11 partners about the US commitment.

China, meanwhile, is pushing forward the Regional Comprehensive Economic Partnership (RCEP) between 10 ASEAN (Association of Southeast Asian Nations) and six other countries. China also hopes its newly launched Asian Infrastructure Investment Bank (AIIB) and One Belt One Road (OBOR) initiative could help the region develop its infrastructure and economy.

Before quitting his job as senior adviser to the Trump transition team, James Woolsey Jr, a former CIA director, said that the Trump administration might join the AIIB and have an interest in participating in the One Belt One Road Initiative.

"I think there is every potential for the US and China to work together, coopting AIIB, OBOR, and other big initiatives under Xi Jinping administration into a common agenda in the Asia-Pacific region," said Paal of Carnegie Endowment for International Peace.

"There're certainly infrastructure requirements for the region. The US has something to offer. China has a lot to offer. We ought to be doing more on the common agenda, rather than picking apart at each other's objectives."