



**FPC Briefing – The Coming Storm: US-China Relations Under Trump**  
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Both during and after the 2016 US presidential elections, China featured significantly in the campaign of eventual victor Donald Trump. More than any other country, the now President-elect singled out China a country that was threatening the US's international standing and was holding it back from "being great again". Within these dynamics, China was seen to flout international trade regulations and was a country incapable of acting as a responsible stakeholder in the global system. In Trump's eyes, Beijing was Washington's most unwelcome and dangerous strategic competitor that endangered the US's ability to control and lead the world. China had also badly damaged the US economically, with Trump regularly regaling voters affected by decades-long policies of de-industrialisation that 'we can't continue to allow China to rape our country'<sup>1</sup>.

Following on from his victory, Trump has continued to directly condemn China, and has in many ways accelerated his attacks on Beijing. Acting in a manner unprecedented for any previous President-elect, he has steadily reinforced a narrative of China as a grave threat to the US's internal and external security. This approach has been primarily manifested through the prism of their trade relations but also Beijing's increasingly important – if not dominant – position in East Asia. In doing so, the new American leader appears to be at best questioning, and at worst shattering, several of the key understandings that were thought to have underpinned US-China relations. His appointment to core political positions of a host of individuals who support his view of China as being a danger to US interests, serves to suggest that relations are about to enter a stormy period.

**Creating Confrontation**

*Taiwan:* Within days of his election conquest over Hillary Clinton, Trump's disposition to overturn seemingly established principles in US-China relations became quickly apparent. First, the new US leader received a congratulatory telephone call from the Taiwanese president, Tsai Ing-wen. Although initially described as an accidental courtesy by his transition team before evidence emerged that it may have been planned well in advance, the call was the first such interaction since 1979. Such an exchange indicated that Trump appeared willing to shed established diplomatic protocols by ignoring Beijing's core "One China" policy, which sees Taiwan as a separatist province that ought to part of modern People's Republic of China (PRC). Re-gaining Taiwan is seen as a sacred commitment through which the Chinese Communist Party seeks to finally overcome its past humiliation and occupation by western imperialists and Japan from the mid-1850s until 1949.

*South China Sea:* Trump has also been critical of China's actions in the South China Sea, which Beijing regards as being part of its natural domain that is essential to her wider border, trade and energy security. China has been engaged in efforts to build civilian and military infrastructure on some small islands in the area, which are disputed by various other countries across the region. Typifying again his provocative and aggressive style, Trump has asked 'did China ask us if it was OK ...to build a massive military complex in the middle of the South China Sea? I don't think so!'<sup>2</sup> Apparently intended to present the US as a power that will not be intimidated by East Asia's largest country, such posturing further questions China's status, standing and independence in the region. It also overlooks the existence of several US military bases across Japan, South Korea, Thailand and Singapore manned by 64,000 troops, which China regards as encircling its territory.

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<sup>1</sup> Sangeeta Ojha, 'We Can't Continue to Allow China to Rape our Country', India Today, May 2016, <http://indiatoday.intoday.in/story/we-cant-continue-to-allow-china-to-rape-our-country-donald-trump/1/656771.html>

<sup>2</sup> Katie Hunt, 'Donald Trump Takes Fresh Swipe at China After Controversial Taiwan Call', CNN, December 2016, <http://edition.cnn.com/2016/12/04/politics/trump-china-tweets/index.html>



*Trade:* As a key mantra of his election campaign, which further intersects with Trump's unabashed past experience and apparent business success, trade disputes have also featured in the President-elect's post-election pronouncements. Economic prowess also acts as the means by which power can be realised both domestically and internationally, and in 2015 for the first time China overtook the US and the European Union (EU) in terms of overall GDP (in PPP terms<sup>3</sup>). Analysts have inferred that Trump's pursuit of China is a tactic to demand trade concessions from Beijing and to make relations more equitable. Such an approach intends to present the new US leader as a tough talking dealmaker, and in his election campaign, he vowed to raise tariffs on Chinese imports up to 45%. Such actions threaten the economic growth essential to China's continued development.

### Reinforcing Rhetoric

The three areas highlighted above all resonate with China's political elites as elements that threaten core parts of their national policy agenda, from securing their territorial integrity to ensuring the continued economic expansion that is so important to their country's rise to become a great power. Apart from being materially threatening, Trump's stance also appears aimed at explicitly undercutting their perceived status in the region, so as to benefit the US and its allies. In unison, Trump's overt re-questioning of so many key areas of US-China relations seeks to re-establish Washington as the dominant party in their relations, hence preventing China's rise to prominence. The appointment by Trump's transition team of persons who appear fully subscribed to the incoming leader's narrative of the China threat, seems to inspire the coming schism in relations. Among the most prominent anti-China voices, are those of Peter Navarro and Robert Lighthizer:

*Peter Navarro, Director of US National Trade Council:* formerly a professor of business at the University of California, Irvine, Navarro is a self-avowed China hawk who has been consistently critical of Beijing. He has authored books with titles such as *'Death By China'* and *'The Coming China Wars'* (a favourite of Trump's), and views an aggressive and confrontational strategy as being necessary to combat Beijing before it eclipses Washington on the world stage. As such, Navarro is said to regard China as a 'despicable, parasitic, brutal, brass-knuckled, crass, callous, amoral, ruthless and totally totalitarian imperialist power'<sup>4</sup>, and will try to craft the US's China policy along such lines.

*Robert Lighthizer, Chief US Trade Negotiator:* a longstanding China critic, Lighthizer backs the use of tariffs against China to punish it for its ostensibly unfair international conduct. With experience during the Reagan presidency as a US Trade Representative, he previously negotiated agreements to protect the US steel industry, and later carried over this role into the private sector. Mirroring Trump's persistent claims of China rigging international rules to its own benefit, Lighthizer also advocates the need for a belligerent stance versus China, noting that the 'US-China trade deficit ... (has) grow(n) to the point where it is widely recognised as a major threat to our economy'<sup>5</sup>.

Through their appointment to such key positions, along with a raft of other voices in the new national security structure who are vehemently wary of China's growing global stature, it appears that - by appointing a team that will carry out this strategy - Trump is building a consensus around his worldview. Here, it is worth noting renowned China scholar Andrew Nathan's remarks that:

<sup>3</sup> CIA World Factbook 'GDP (purchasing price parity)' (2017), *CIA World Factbook*, <https://www.cia.gov/library/publications/the-world-factbook/rankorder/2001rank.html#ch> China GDP in in Price Purchasing Parity terms stood at \$19.7 trillion, the EU at \$19.2 trillion and the US at \$18.0 trillion.

<sup>4</sup> Tom Phillips, "Brutal, Amoral, Ruthless, Cheating": how Trump's New Trade Tsar sees China', *The Guardian*, December 2016, <https://www.theguardian.com/world/2016/dec/22/brutal-amoral-ruthless-cheating-trumps-trade-industrial-peter-navarro-views-on-china>

<sup>5</sup> Benjamin Haas, 'China calls US "a Shooting Star" in History as Trump Picks Protectionist Trade Chief', *The Guardian*, January 2017, <https://www.theguardian.com/us-news/2017/jan/04/china-donald-trump-trade-chief-robert-lighthizer>



“Trump has shown two sides to his personality in dealing with everybody. One is: ‘Let’s make a deal, we are deal-makers’. And the other one is: ‘You hurt my feelings and I’m going to bomb the sh\*t out of you because I never lose – I always win’. ... I don’t know whether he is setting up China for a deal. In fact, I don’t know if he is that deliberate or whether his mood just changes from time-to-time depending on how the other side treats him”<sup>6</sup>.

### Realities and Beijing’s Response

Although Trump’s campaign rhetoric has now been reasserted after his victory, it ignores some of the core realities underpinning Sino-US relations. Most fundamentally, both countries are massively economically intertwined and interdependent upon each other, and moreover are critical to the global financial system. As such, in 2015, their mutual trade stood at \$598 billion, with China being the US’s second largest export market and the US being China’s largest export destination<sup>7</sup>. Any economic dispute would drastically weaken such trade levels, and have domestic impacts upon both countries, as their relative GDP levels would invariably suffer. More pointedly, Beijing is the second largest holder of US debt amounting to \$1.12 trillion or 19% of the overall total<sup>8</sup>. China also has the world’s largest gold and currency reserves of \$3.41 trillion, the majority of which are in cash dollars<sup>9</sup>. Although selling such debt or dollars would affect both sides, they do represent a potentially powerful form of negotiation and leverage for the Chinese government.

It is for these reasons that, when faced with Trump’s aggressive bravado, Beijing initially adopted a wait-and-see approach that reflected a commonly held belief concerning the President-elect’s campaign fondness for contradiction and mistruth. His subsequent Taiwan and South China Sea overtures were however regarded as highly provocative and counter-productive, with Chinese state media declaring Trump to be an amateur who ‘bears no sense of how to lead a superpower ... that is more dangerous than funny’<sup>10</sup>. Beyond this rhetoric, China’s only aircraft carrier battle group has also conducted its first live ammunition exercises, whilst a Chinese salvage ship seized an unmanned underwater drone operated for the US Navy. The drone was later returned after “friendly consultations”. These actions show that the US leader will not easily intimidate Beijing.

Just as Trump’s actions are planned to reverberate with US voters disturbed by globalisation and the relocation of domestic industrial production overseas, Beijing’s responses are also directed towards its own populace. Frequently highly nationalistic, and nurtured on Communist Party narratives of restoring China to its past status as a globally-significant country, China’s leaders must be seen to actively reply to Trump’s provocations. For their own ruling legitimacy, and even if they wish not to, they therefore have no choice but to also show that their country is strong, will not be daunted by external powers and is willing to stand up for its principles and interests. Such is the importance of Taiwan, the South China Sea and trade, that the Party must be seen to act.

As such, Beijing own anti-Trump and anti-US rhetoric is slowly ratcheting up, with Chinese state media editorials recently asserting; ‘may the arrogant Americans realise that the United States of America is perhaps just a shooting star in the ample sky of history’<sup>11</sup>. Chinese leaders are also highly aware of other purported Trump policies that have the potential to negatively impact upon the region. These

<sup>6</sup> Quoted in (2016) “Brutal, Amoral, Ruthless, Cheating”.

<sup>7</sup> US Census Board, ‘Trade in Goods with China’, *US Census Board*, 2016, <https://www.census.gov/foreign-trade/balance/c5700.html>

<sup>8</sup> USDT (2016) ‘Major Foreign Holders of Treasury Securities’. *United States Department of the Treasury*. <http://ticdata.treasury.gov/Publish/mfh.txt>

<sup>9</sup> CIA, ‘Reserves of Foreign Exchange and Gold’, *CIA World Factbook (2017)*. <https://www.cia.gov/library/publications/the-world-factbook/rankorder/2188rank.html>

<sup>10</sup> The Telegraph, ‘Trump “Doesn’t Know how to Lead a Superpower,” says Chinese Media’, December 2016, <http://www.telegraph.co.uk/news/2016/12/19/trump-doesnt-know-lead-superpower-says-chinese-media/>

<sup>11</sup> Quoted in (2017) ‘China calls US “a Shooting Star”’.



include possibly allowing South Korea and Japan to acquire nuclear weapons, in conjunction with the withdrawal of American troops from the region. Such a policy negates how the US military presence has contained toxic historical legacies between Beijing and Tokyo, as well as contemporary tensions between Japan and North Korea. At its most worrying, when remarking on a potential nuclear conflict between the latter, Trump said “good luck, enjoy yourself folks”<sup>12</sup>. For China, it is the combination of such naivety with such belligerence that is most unsettling.

It is not only through the Taiwan, the South China Sea and trade issues that conflict and tension can emerge. Friction between the two countries has scope to occur within multilateral institutions, the negotiation / acceptance of trade and security agreements with other international actors, and more widely concerning how the US and China see the world. Tellingly in this regard, the US remains invested in hegemony (the dominance of the system by one omnipotent power) whilst China see a multipolar future (whereby there are 4-5 major powers, none of which has complete supremacy). Nor must we forget Beijing and Washington’s large military budgets and the development of non-traditional forms of combat such as cyber warfare against an enemy’s critical infrastructure. Other events that may produce an existential shock to the international system – such as the outcome of the Brexit negotiations, another banking crisis (perhaps in Italy) or the rise of far-right parties in Europe and beyond – could also precipitate disputes between the two sides.

### **Echo Chambers**

It is for these reasons that outgoing President Barack Obama has warned against US-China relations sliding into “full conflict mode”<sup>13</sup>, where neither side is willing to back down, and their leaders are forced to act upon their words - despite the clear damaging costs that would result for both countries. Such a miscalculation currently appears to be more likely from Trump than his Chinese counterpart, as his disregard for the last 45 years of US-China relations has already shown. This observation is reinforced by the rhetoric and narratives that have emanated from the President-elect since his victory, which show no sign of ending, along with the policy inclinations, beliefs and proclivities of many of the individuals who look set to be staffing his period in office.

It is the creation of this Trump-friendly echo chamber – where only opinions similar to the President elect’s are allowed to resonate and prosper, and all others rejected and side-lined – that poses the greatest danger to US-China relations. The dominant, controlling and aggressive persona of Trump, as displayed in the election campaign, serves to reinforce such a dangerous phenomenon. The institutional knowledge and expertise of experts in existing departments, and the embedded realities of US-China relations, may mitigate such an effect but in the highly leader-centric nature of US politics - and its hyperextension under Trump - they will be rather limited.

In this regard, China’s leaders and elites, along with her international partners in the region / world, will try to resist their own nationalist audiences and craft a pathway forward that is able to effectively mitigate against the professed policy ambitions of the new US administration. China’s first formal diplomatic meetings with Washington, along with what actions the new US President actually takes and enacts once in office, will provide the first key indicators here. In the event of an economic downturn, Beijing may however also feel compelled to unleash the nationalist sentiments of its population, so as to divert criticism away from their one-party dictatorial rule. With spill over towards key US allies, such as Japan, such actions would be very hazardous indeed.

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<sup>12</sup> The Atlantic, ‘With His Finger on the Trigger’, *The Atlantic*, June 2016, <http://www.theatlantic.com/international/archive/2016/06/donald-trump-nuclear-weapons/485504/>

<sup>13</sup> Tom Phillips, ‘Don’t Let China Ties Slide into “Full Conflict Mode”, Obama Urges Trump’, *The Guardian*, December 2016, <https://www.theguardian.com/us-news/2016/dec/17/dont-let-china-ties-slide-into-full-conflict-mode-obama-urges-trump>



That both countries have the world's largest militaries and economies, are nuclear-armed and are led by authoritarian-minded leaders sustained by evermore-nationalist populations, should be of great alarm. Any confrontation will have a major impact, ranging from possible worldwide recession if a trade war arises to a global depression if full-blown conflict erupts. With the new President elect appearing to be inexperienced, thin-skinned and unpredictable, all these outcomes are conceivable, particularly if his narrative of China as a threat to US power gains greater legitimacy. Such ramifications will have dire consequences for the UK and the world, and avoiding them needs to be an utmost priority by our politicians, diplomats and experts alike. Not accepting, and hence legitimising, the supposed China threat at face value, is the first step to take.

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