

The US Administration's Asia Policy

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A Trump Administration

- More difficult to assess as unlike Clinton, Trump has less of a record on comments on China
- Some key advisors have been very “hawkish” on China
 - Mike Pillsbury—(The Hundred Year Marathon) who sees China’s secret strategy is to replace the US as the global superpower by 2049.
 - Peter Navarro—(Crouching Tiger: What China's Militarism Means for the World) who views China as the root of many of America’s economic ills and that there is a need to build up US military capacity
 - Alexander Gray—(former senior advisor to Rep. Randy J. Forbes) who shares Navarro’s views
 - Randy Forbes—who may become Secretary of the Navy and who is pushing for a 350-ship navy and a \$20 billion budget

Might suggest a tougher stance but we have seen this before

Two Dilemmas

- China's development is clearly reshaping geopolitics
- Two general dilemmas are important
- A) i) world's largest economy will not be a Western nation, and with a different set of values and institutions
 - Gives rise to discussions about the need for challenge and containment from the US
 - ii) For the first time, the world's largest economy will not be the one that enjoys the highest living standards and quality of life
 - Gives some hope to those favoring engagement
- B) i) Economic Asia with China at the core?
 - ii) Security Asia with the US at the core?

Economic and Security Asia

- In reality, the division cannot be drawn so clearly
- A) Economy
 - China's economy is slowing
 - Impact on other economies within the region
 - First 1/4 of 2016, Exports to US increased in 5 of 6 ASEAN largest economies, while shipments to China declined in 4 (Malaysia, Thailand, Vietnam and Indonesia)
 - Until 2007, US was ASEAN's largest trading partner but now is number 3—behind China and Japan
 - Yet, US is still a major global player, imported \$2.2trillion in goods and services, China \$1.6
- B) Carrots
 - BRICS, AIIB, One Belt-One Road
 - Not a threat to the US—Trump advisor James Woolsey has said it was strategic mistake not to join
 - Would leave Japan as the only significant ally not to join
 - Would Trump be able to get the funds from Congress? Would he be interested to?

Economy and Security Asia

- C) Security

- US pivot (and Clinton was key) but China has moved more intentionally and aggressively in the region—clearest in territorial disputes
- 2013, Foreign Minister, Wang Yi, neighboring countries had become a “priority direction” for diplomacy
- Fears of Chinese potential aggression results in a tightening of US alliances within the region that, in turn, China inevitably interprets as deliberate encirclement and containment
- A) Chinese influence increasing in Thailand
- B) Myanmar in a difficult position between China, India and the US
- C) The Philippines. Actions of Duterte draw a close line between economic and security Asia
- D) The Malaysian PM has just returned from China with \$34 billion of deals in his pocket

Economy and Security in Asia

- TPP links the economic and security in Asia
- Secretary of Defense, Ash Carter, passing TPP is “as important to me as another aircraft carrier”
- Trump has made it clear he will block TPP
- If China continues to expand trade agreements in the region, the new administration risks ceding economic, trade and a degree of the security leadership to China
- Will irritate US allies in the region and undermine US efforts to exert influence
- Trump will have to do something—kill or renegotiate?
 - Many republicans like enhanced trade deals
 - Could he bring in China?

Personal Relations

- Duterte reveals how important personal dynamics can be
 - Seems to like strong leaders such as Xi and Putin, as does Trump

Chinese perceptions of Clinton were negative and she was seen as a “hawk”

While the official press has denounced Trump and foul-mouthed and abrasive, in private, many have given a more positive assessment and feel that as a businessman he will be pragmatic

China's Perspectives

- To meet its development goals, China requires a peaceful order
- BUT has clearly abandoned Deng Xiaoping's adage "hide your strength, bide your time, never take the lead, accomplish things where possible"
- Xi pursuing a more activist foreign policy—"new type of great power relations", "new type of great power diplomacy with Chinese characteristics"
- Promote a multipolar world but still willing to cooperate with the US
- For example, vice-premier, Wang Yang (December 2014) the US is the "guide to the world" in international economic and financial systems
- Xi Jinping, China does not intend to replace the Western-dominated system to one based on China' interests alone
- Initial response to Trump victory was measured: Foreign Ministry—"US-China trade relations are mutually beneficial. Two mature big powers like the US and China will handle things well"
- But have used the election to trumpet the superiority of their own system. People's Daily—the US is an "ill democracy"

A Trump Presidency

- On the campaign trail, Trump tended to be harsh in comments about
 - Agreed with Clinton on some issues such as job loss to China and on unfair trade
 - Agreed that the US had facilitated China's economic rise
 - But comments were more combative and concrete in terms of possible actions
 - More inclined to see China's development as a threat
- Sounded much cooler than Clinton on US commitments in Asia
 - Hostile to TPP
 - Suggested that Japan and South Korea should pay more for the US military presence
- Harsh comments on China—May 2016 accused China of “raping” the US in trade policy
- But has also made more conciliatory comments

A Trump Presidency

- Trump has claimed:
 - China is a currency manipulator
 - He will impose a 45% tariff on Chinese goods
 - He will rip up trade deals that do not benefit the US
 - Push China on lax labor and environmental standards
 - Protect IP of US companies in China
 - Punish US companies that outsource jobs to China
 - Deal with cyber security
- Two headline policies will not have any effect or not happen
 - Currency manipulator
 - Tariff imposition—power of Congress and China under WTO can introduce retaliatory charges

A Trump Presidency

- Gray and Navarro: Trump's policy is two-pronged
- 1) Never sacrifice the US economy on the altar of foreign policy by entering into bad trade deals
- 2) Peace through strength—rebuild the US military to provide the greatest source for stability in Asia

A Trump Presidency

- Economics and Trade

- Attempts to push China on questions of access for US firms, fair treatment etc. will get more traction now with the business community
- US may have more traction than is commonly understood: millions of jobs in China depend on the continued willingness of US consumers and the US government to keep importing cheaper products made in China
- China's growth has been dependent on a strong, stable US that is willing to trade with the world
- If Trump pursues protectionist policies, these will have a significant impact on the Chinese economy and those economies that provide inputs
- While such policies might improve the US economy and provide more jobs, they would make China's transition even more difficult

A Trump Presidency

- 10% tax on repatriation of profits from overseas could have unforeseen consequences
- China pressures MNCs to reinvest within China
- If Trump pushes China on repatriation it will increase the capital outflow
- Could generate stronger Chinese currency depreciation
- PBOC just announced that it was futile to fight currency depreciation
- Combined with protectionist trade policies, this could widen the US trade deficit that Trump seeks to close

A Trump Presidency

- Security

- Will he be tougher on China's territorial claims?
- The Republican Party Platform states that the Chinese government "asserts a preposterous claim to the entire South China Sea" and the the country is building a navy that is far out of proportion to its defensive needs
- BUT Trump will have to find a way to balance his mercantilist campaign pledges and isolationism with engagement with the fastest growing economies and maintaining traditional alliances in the region
- Seems to see alliances as business contracts that can renegotiated easily
- Japan and South Korea should pay more and perhaps even develop their own nuclear capabilities
- Can he build greater military strength while reducing the deficit?

A Trump Presidency

- Blackwell and Tellis Report summarizes Republican thinking that may be relevant
 - Need a new US strategy that focuses on balancing the rise of Chinese power rather than continuing to assist its ascendancy
 - China is the most significant competitor to the US
 - US efforts to integrate China into the liberal international order have generated new threats to US primacy in Asia
 - Reinforce Indo-Pacific partnerships
 - Energize high-level diplomacy with Beijing
 - Revitalize the US economy
 - Strengthen the US military
 - Expand Asian trade networks (would Trump accept?)
 - Create a technology control regime
 - Implement effective cyber policies

A Trump Presidency

- The key ingredient that is difficult to discern is Trump himself, who has said he will be an “unpredictable” President
- Balancing his America first and mercantilist tendencies with the need to keep allies on board and maintain a working relationship with China will be key
- All new administrations have come in with harsh China rhetoric but have finished up with a policy that emphasizes continuity over major change
- Will Trump be any different?