

China and Trump: Competition about 'greatness'

By Invitation

Insightperspectives regularly invites experts to write about “special” issues of importance to the financial market. In this context, [Joergen Delman](#), professor, PhD, China Studies, Department of Cross-Cultural and Regional Studies, University of Copenhagen, has been invited to make his assessment of the future ties between Washington and Beijing after President Trump entered the Oval Office.

[Joergen Delman](#) works on China’s political economy, politics, civil society, climate policies and environmental issues. He is a frequent public speaker and media commentator on these topics and has lived in China for ten years, working as a consultant for international development organisations, as well as Danish and international businesses. He has worked extensively with and within Chinese government organisations at central and local level. [Joergen Delman](#) is Co-coordinator of [ThinkChina.dk](#).

Donald Trump was brutally critical of China during his presidential campaign. China had been stealing American technology and American jobs, he argued. China had manipulated its currency to harm US business and economic interests, and the US trade deficit with China had become way too big (2016: \$347 billion). He also contended – counterfactually – that [the Chinese created global warming to make US manufacturing non-competitive](#).



Therefore, Trump threatened to impose a 45% import duty on goods from China. He would also convince US companies to pull back production from China, and he would nullify or re-negotiate existing bilateral trade agreements.

To accentuate his intention to shake up US-China relations, Trump took a phone call from Taiwanese President, Tsai Ying-wen. No president-elect has done that since the establishment of diplomatic ties between the US and the PRC in 1979. Apparently, Trump wanted to provoke China on the one-China principle that is foundational to China's bilateral and multilateral relations. Sure enough, [China immediately launched a formal complaint](#) with the US government over the controversial phone call.

In addition, Trump also accused the Chinese side of not doing enough to deal with the North Korean threat, and, more seriously, he challenged China's claims in the South China Sea. "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!" [tweeted Trump](#). His appointed Secretary of State Nominee, [Rex Tillerson](#), said at his Congressional hearing that the US would prevent China from accessing its artificial islands in the South China Sea.

Trump's threats left the world stunned. Were we witnessing a major shake-up of US-China relations? Could it lead to a coming war between China and the US? Predictions and speculations were amiss, while Trump, the businessman, was presumably using his businessman's tactics to unsettle his perceived foe. "I've read hundreds of books about China over the decades," [Trump wrote](#) in his 1987 bestseller 'The Art of a Deal'. "I know the Chinese. I've made a lot of money with the Chinese. I understand the Chinese mind."

The Chinese reaction

As could be expected, the initial Chinese reaction was observant, cautious, and non-committing. The official position was to wait and see until Trump took office. To prevent diverging responses from China, the Chinese authorities [put the lid on public opinion](#), and only leading officials and state authorised media were allowed to comment.

China's Foreign Minister [Wang Yi](#) noted that Trump's threats were "campaign rhetoric" and that a military conflict would only produce losers. He also pointed out that during the first phone conversation between President Xi and the president-elect in November 2016, Trump had said that he "agreed 100 per cent" with Xi



Jinping that the future relationship between the two countries was positive. Did he implicate that Trump was speaking with two tongues?

A change of mind

While politicians and media around the world asked themselves if Trump would make good on all of his threats and promises, the Chinese leadership tried to calm public opinion at home and abroad by focusing on the need to continue the relatively constructive, yet still quite strained China-US relationship left by the Obama administration. The Chinese side proposed to look for win-win solutions to outstanding disagreements. This was Xi Jinping's hidden message to Trump at his media-hyped solo [appearance at Davos in January](#) where he presented himself as the new trailblazer for continued globalisation.

While the Trump administration has delivered on many of Trump's other campaign promises, there has been no move from Washington as yet to rein China in. On the contrary, by withdrawing from the [Trans-Pacific Partnership](#) (TPP), to which China was not a party, [the US has opened space for China to engage with the negotiating countries to discuss alternative trade agreements. China already has a series of bilateral and](#)

[multilateral free trade agreements in the region](#), which is China's preferred trade policy instrument.

Even more, Trump had to wait for three weeks after becoming President to finally have a phone conversation with Xi Jinping on 9 February. The [Chinese side had evidently postponed the conversation](#) until such a time that Trump would unequivocally acknowledge the one-China principle, which he did "[at the request of President Xi Jinping](#)". [Xinhua News](#) noted that "[t]he two leaders also agreed to maintain close contacts to exchange opinions on issues of common concern in a timely manner. Both of them expressed their eagerness to hold a meeting at an early date."

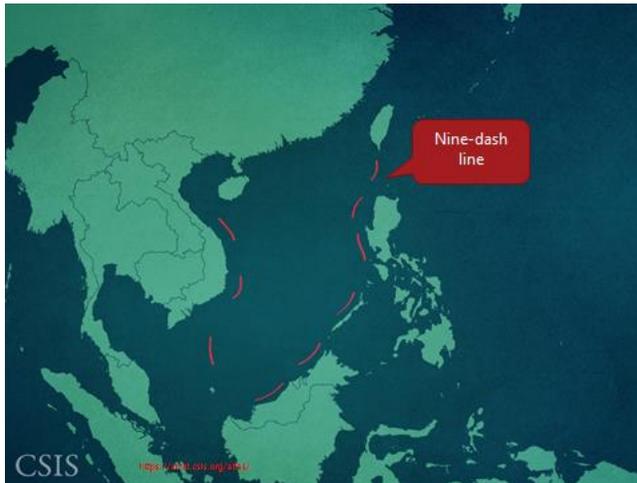
This complete turnaround on Trump's part will undoubtedly ease bilateral tensions in the short run, but the bottom-line is that Trump lost face because he blinked and budged.

Why a U-turn?

While the Chinese leadership is waiting for what comes next, the Chinese media are stunned by Trump's U-turn. [One Chinese media outlet has speculated](#) that Trump was forced to reconsider his position for internal and bilateral reasons. At home, he has not yet won the fight to get his 'Muslim' travel ban through, and he has been

faced with massive protests at home attacking the core human values underpinning his politics. In relation to China, he failed to recognise the value to the US of its past engagement with China and China's consistency in its international politics.

Officially, the Chinese side has declared itself open to discussing whatever is critical to the US as long as it does not disturb China's fundamental interests, not least its core interests, i.e. the Taiwan issue and the sovereignty over the South China Sea.



A war with China?

Although Xi and Trump seem to have reached some kind of understanding and may now start to develop a working relationship, the possibility of military conflict

should not be ruled out at all, however. In March 2016, before becoming Trump's Senior Advisor, [Steve Bannon explicitly declared](#) that a war with China over issues in the South China Sea would be unavoidable within the next 5-10 years. The [maps below](#) show why that could happen.

[Map 1](#) shows the Nine-dash Line that signifies China's territorial aspirations to 90% of the area of the South China Sea. These are clearly in conflict with the interests of neighbouring countries that vie with China for different chunks of the territory. [Map 2](#) shows the major shipping lanes in the South China Sea and how they link up with Chinese key economic interests, in comparison with other concerned countries. It is clear that both China and Japan depend on the safety of these shipping lanes for their vital supplies of resources, not least energy, as well as to export their goods. Currently, the US guarantees the safety of these shipping lanes. But it is clear that the Chinese territorial aspirations in the South China Sea reflect a long-term strategic interest not only in resources but also in being able to safeguard China's supply lines and having unimpeded access to international waters.

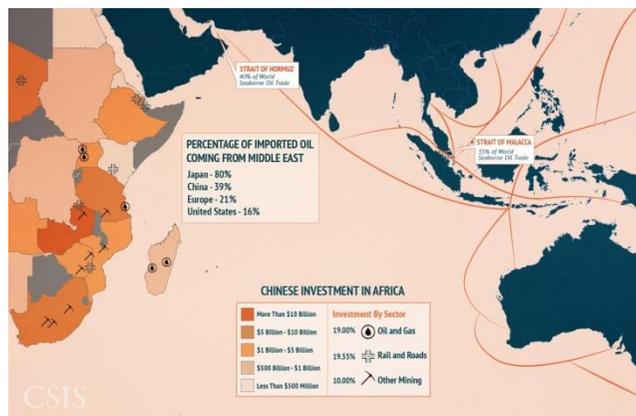
China has been quite aggressive in [building civil and military infrastructure on atolls in the South China Sea](#) in



recent years to protect these interests. These activities have provoked the US and Japan as well as China's South East Asian neighbours. Over the past few months, however, China has appeared more reconciliatory in its regional politics. Relations with the Philippines have softened after [President Duterte disclaimed the ruling against China](#) of the Permanent Court of Arbitration (PCA) last year, which China rejected as baseless. Vietnam welcomed the ruling and called for peaceful resolution of the conflicts in the South China Sea. In September last year, the [top leaders of Vietnam and China agreed](#), however, that they should indeed proceed along those lines.

with promises of [inclusion in "One Belt One Road" initiatives and investments](#), clearly aims to edge the US out of the South China Sea, if not the region. China wants to unblock what is seen as US attempts at containing China's rise.

With Trump in the White House, the Chinese side is now again warning the US not to "fish" in the troubled waters of the South China Sea. China will respect and protect free passage through the waters of the South China Sea, [a Foreign Ministry spokesman said on 15 February](#), but China will not allow any country to infringe on Chinese sovereign territory by sending an aircraft carrier strike group on a navy patrol in the name of free passage, as is being contemplated by the Trump administration.



China has a preference for bilateral negotiations and its new approach towards its neighbors, which combines military buildup with renewed assertions of peaceful intentions and willingness to negotiate in combination

New trade regimes

As the Trump administration is now putting together its China strategy, the insightful US journalist, businessman, and author, [Jim McGregor](#), has proposed that instead of a trade war, the Trump Administration should put some of the inequalities in US-China trade and economic relations on the agenda. The US side should focus more on true reciprocity, e.g. in relation to Chinese non-tariff barriers that have often been unfavourable to US companies. He also suggests exploiting the existing trade

enforcement acts and tools that allow the US President to impose retaliatory tariffs and other penalties when the US side believes it is treated unfairly. Finally, McGregor suggests to re-develop and re-brand the TPP to demonstrate to Asian allies that the US is still committed to their economic success.

In fact, McGregor's arguments are the best evidence for why the Chinese side stands tough on the South China Sea. They understand that the US has less and less material interests in the region. Trump is rapidly discarding what was left, and the Chinese leadership now sees an opportunity to make the US redundant as a regional military power. Under the circumstances, it would be difficult for Donald Trump to legitimise heavy US casualties in a military conflict with China when the US material interests are less and less evident.

The influential Tsinghua University Political Science Professor, Yan Xuetong, argues along similar lines. China has a chance to become a full-fledged superpower if it responds to the Trump presidency by opening up more to the world economically and politically, said Yan in an [interview with the New York Times](#). He also argues that to balance the US, China must expand its collaboration with its neighbours.

Does Trump understand the Chinese?

We may speculate that Donald Trump does not understand the Chinese that well, after all. He has forgotten that while he wants to make the US great again, the CPC and its leaders want to do the same with China. The two superpowers will be locked in competition over the next few decades about being the greatest. China is coming from behind at an amazing speed, and it is doubtful that the US will benefit from trying to hold China back rather than moving to the negotiation table. The US would have plenty of leverage given China's international agenda. In the case of a military conflict in China's home court, China's leaderships and the Chinese people are likely willing to bear greater losses on any count than the US. This is after all their home turf.

Denmark, February 16, 2017

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