



Trump and China

On February 8 US President Donald Trump sent Chinese President Xi Jinping a letter thanking him for his congratulatory note and stating that he looked forward to working with him 'to develop a constructive relationship that benefits both the United States and China'.¹ The following day, February 9, Mr Trump spoke to Mr Xi over the phone. This is the first direct communication Mr Trump has had with the Chinese President since his inauguration.² Mr Trump had already previously spoken to 18 foreign heads of state, either over the phone or in person, prior to the call with Mr Xi.³

Trade

The new President appointed Peter Navarro head of the newly-created National Trade Council on December 21. Peter Navarro is a hard-liner on China. He told *Breitbart* on January 31 that 'there continues to be a line of thinking in government...that somehow if we give China something on the economy, they're going to give us something on North Korea. It's a fool's game.' He went on to say, 'One of the principles of the Trump administration is that we will never sacrifice our economy on the altar of foreign policy.'⁴

As nominee for Commerce Secretary, Wilbur Ross told his confirmation hearing on January 18 that China was the 'most protectionist' country in the world, that Chinese officials 'talk much more about free trade than they actually practice' and

that 'we would like to levelize that playing field'. He declared that countries that engaged in dumping practices or failed to provide a level trading field should be 'severely punished'.⁵

Mr Trump's approach on trade seems to have attracted measured support from a group of leading US China experts. On February 7 the Task Force on US-China Policy, convened by the Asia Society's Center on US-China Relations and the School of Global and Policy Strategy at the University of California, San Diego, released a report contending that US diplomacy and trade policy with China to date had failed. Orville Schell, one of the report's authors stated: 'The relationship in many realms is grievously out of balance and nowhere is this more evident than in trade and investment. We have to arch our backs and say: 'This has to be mutually advantageous and equitable or there are going to be consequences.'⁶

'Currency manipulator'

On January 18 then-President-elect Trump appeared to moderate his declaration to declare China a currency manipulator on his first day in office. 'I would talk to them first. Certainly they are manipulators. But I'm not looking to do that,' he told the *Wall Street Journal*.⁷

The last time the US Treasury designated China a currency manipulator was between 1992 and 1994.

But Mr Trump is coming under pressure from both Republicans and Democrats to fulfil this campaign promise. On January 24 US Senate

This fact sheet was prepared by Elena Collinson, Senior Project and Research Officer, Australia-China Relations Institute, University of Technology Sydney.

¹ Ting Shi, 'Trump calls world leaders...but China's Xi gets a letter', *Bloomberg* <<https://www.bloomberg.com/politics/articles/2017-02-09/trump-sends-letter-to-china-s-xi-seeks-constructive-relations>>.

² Ibid.

³ Zheping Huang, 'Donald Trump hasn't spoken with Chinese president Xi Jinping since taking office', *Quartz*, February 6 2017 <<https://qz.com/903515/donald-trump-hasnt-spoken-with-chinas-president-xi-jinping-since-taking-office/>>.

⁴ John Hayward, 'Peter Navarro: China cheats on currency and steals our intellectual property', *Breitbart*, January 31 2017 <<http://www.breitbart.com/radio/2017/01/31/peter-navarro-china-cheats-currency-steals-intellectual-property/>>.

⁵ David Lawder, 'US Commerce nominee Ross calls China 'most protectionist' country', *Reuters*, January 19 2017 <<http://www.reuters.com/article/us-usa-congress-ross-idUSKBN1522BH>>.

⁶ Shawn Donnan and Lucy Hornby, 'Task force backs Trump's tough line on China trade', *Financial Times*, February 8 2017 <<https://www.ft.com/content/180cc9c4-ed54-11e6-930f-061b01e23655>>.

⁷ Eric Beech and John Ruwitch, 'Trump suggests he may do away with Russia sanctions if Moscow helpful: WSJ', *Reuters*, January 14 2017 <<http://www.reuters.com/article/us-usa-trump-wsj-idUSKBN14Y02i>>.

minority leader Senator Chuck Schumer said, 'Mr President: if you really want to put America first, label China a currency manipulator'.⁸

Steven Mnuchin, expected to be confirmed as US Treasury Secretary this week, has left the door open on the prospect of declaring China a currency manipulator. In a written response to supplementary questions by the US Senate Finance Committee he said, 'If confirmed I intend to review the issue of Chinese currency manipulation'.⁹

'One China' policy

On December 2 then-President-elect Trump accepted a congratulatory 10-minute phone call from Taiwanese President Tsai Ing-Wen. This was the first time a US president or president-elect had been in contact with Taiwan since 1979, when the US officially recognised the People's Republic of China and established formal diplomatic relations, acknowledging the Chinese position that there is only one Chinese government.

Hours after the conversation, Chinese Foreign Minister Wang Yi downplayed the call characterising it as a 'petty trick' on Taiwan's part which would 'never change the one-China policy recognised by the US over the past years'.¹⁰ The Chinese Foreign Ministry said on December 3 it had filed 'stern representations' with the 'relevant US side' without further elaboration.¹¹

Mr Trump told *Fox News* on December 11 it was not up to Beijing to decide whether he should take the call: 'I don't want China dictating to me and this was a call put in to me...[W]hy should some other nation be able to say I can't take a call?' He said, 'I don't know why we have to be bound by a 'one China' policy unless we make a deal with China having to do with other things, including trade'.¹²

In an interview with the *Wall Street Journal* on January 14, less than a week before his inauguration, Mr Trump claimed that 'everything is negotiable, including the one China policy'.¹³

In response, the Chinese Foreign Ministry issued a statement terming the one China policy 'non-negotiable' and 'the political foundation' of the US-China relationship.¹⁴

However, in a leaked document containing Secretary of State Rex Tillerson's responses to confirmation hearing questions by Senator Ben Cardin, Mr Tillerson veered away from Mr Trump's comments, stating, 'I intend to support the One China policy'.¹⁵

Mr Tillerson said he would 'continue these policies and work to ensure that the cross-strait military balance remains favourable to peace and stability'.¹⁶

On February 9, Mr Trump in his first phone call with Mr Xi since assuming office, returned to the US baseline on the one China policy. The White House released a statement that said: 'President Donald J. Trump and President Xi Jinping of China had a lengthy telephone conversation on Thursday evening. The two leaders discussed numerous topics and President Trump agreed, at the request of President Xi, to honour our 'one China' policy'.¹⁷

South China Sea

Mr Trump was silent on the South China Sea during the election campaign, stating only that the US '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'.¹⁸

Since his election, however, rhetoric on the disputed waters seemed to ramp up. Comments made by members of Mr Trump's administration, his cabinet choices and his supporters seemed to indicate a bold departure from previous US policy on the South China Sea was on the cards.

Rudy Giuliani on November 15 said Mr Trump intended to build a 'gigantic' military force which would allow the US to engage in a 'two-ocean war'.¹⁹ This built on Mr Trump's campaign pledge to increase the number of active-duty US soldiers from 475,000 to 540,000, and the US Navy from

⁸ Elena Holodny and Reuters, 'SCHUMER: If Trump wants to put America first he should label China 'currency manipulator'', *Business Insider*, January 24 2017 <<http://www.businessinsider.com/schumer-urges-trump-to-name-china-a-currency-manipulator-2017-1?IR=1>>.

⁹ David Lawder and Lisa Lambert, 'Trump's Treasury nominee keeps senators guessing on China currency stance', *Reuters*, January 23 2017 <<http://www.reuters.com/article/us-usa-trump-china-currency-idUSKBN1572S2>>.

¹⁰ Teddy Ng and Lawrence Chung, 'Chinese foreign minister brushes off Trump call with Tsai as 'petty trick' by Taiwan', *South China Morning Post*, December 3 2016 <<http://www.scmp.com/news/china/policies-politics/article/2051455/chinese-foreign-minister-brushes-trump-call-tsai-petty>>.

¹¹ Ben Blanchard, 'China lodges protest after Trump call with Taiwan president', *Reuters*, December 3 2016 <<http://www.reuters.com/article/us-usa-trump-taiwan-idUSKBN13R2NT>>.

¹² Caren Bohan and David Brunnstrom, 'Trump says US not necessarily bound by 'one China' policy', *Reuters*, December 12 2016 <<http://www.reuters.com/article/us-usa-trump-china-idUSKBN1400TY>>.

¹³ Te-Ping Chen, 'Beijing says 'One China' policy isn't negotiable', *Wall Street Journal*, January 15 2017 <<https://www.wsj.com/articles/beijing-says-u-s-china-policy-isnt-negotiable-1484418841>>.

¹⁴ Ibid.

¹⁵ Jesse Johnson, 'Behind the scenes Tillerson tones down rhetoric on South China Sea', *Japan Times*, February 7 2017 <<http://www.japantimes.co.jp/news/2017/02/07/asia-pacific/behind-scenes-tillerson-tones-rhetoric-south-china-sea/#.WJu5XFV96Uk>>.

¹⁶ Ibid.

¹⁷ Readout of the President's call with President Xi Jinping of China, Office of the Press Secretary, The White House, February 9 2017 <<https://www.whitehouse.gov/the-press-office/2017/02/09/readout-presidents-call-president-xi-jinping-china>>.

¹⁸ Transcript: Donald Trump expounds on his foreign policy views, *New York Times*, March 26 2016 <<https://www.nytimes.com/2016/03/27/us/politics/donald-trump-transcript.html>>.

¹⁹ Cameron Stewart and Adam Creighton, 'Donald Trump set to super-size military, says Rudy Giuliani', *The Australian*, November 16 2016 <<http://www.theaustralian.com.au/national-affairs/defence/donald-trump-set-to-supersize-military-says-rudy-giuliani/news-story/412e207a91cfad0482579d144be0e2f>>.

its current 272 ships to 350. Mr Giuliani said with 350 ships 'China can't match us in the Pacific'.²⁰

On February 2 2017 Rex Tillerson was formally sworn in as US Secretary of State. At his confirmation hearing before the US Senate Foreign Relations Committee on January 11, Mr Tillerson said, 'We're going to have to send China a clear signal that, first, the island-building stops and, second, your access to those islands also is not going to be allowed.' This seemed to imply a blockade of China's artificial islands. Mr Tillerson added, 'The way we've got to deal with this is we've got to show back up in the region with our traditional allies in Southeast Asia.'²¹

On January 22 White House Press Secretary Sean Spicer seemed to express the Trump administration's support for Mr Tillerson's comments. Mr Spicer said, 'I think the US is going to make sure that we protect our interests there. So it's a question of if those islands are in fact in international waters and not part of China proper, then yes, we're gonna make sure that we defend international territories from being taken over by one country.'²² However, Mr Spicer did not elaborate on how these interests would be defended.

Support for a more strident tone on the South China Sea seemed to come with the appointment of Steve Bannon, Mr Trump's chief strategist, to the National Security Council in late January. Mr Bannon had said on his former *Breitbart* radio show in March 2016: 'We're going to war in the South China Sea in five to 10 years, aren't we? There's no doubt about that. They're taking their sandbars and making basically stationary aircraft carriers and putting missiles on those. They come here to the United States in front of our face – and you understand how important face is – and say it's an ancient territorial sea.'²³

But there has since been a remodulation in the administration's line on the South China Sea, softening the edges of what had appeared to be a new American assertiveness. During his February visit to Japan, Defence Secretary James Mattis emphasised diplomacy, declaring: 'What we have to do is exhaust all efforts, diplomatic efforts, to try and resolve this properly...[O]ur military stance

should be one that reinforces our diplomats...[A]t this time we do not see any need for dramatic military moves at all.'²⁴

Moreover, the leaked document containing Secretary of State Tillerson's elaborations on his confirmation hearing statements points to an adoption of a more moderate stance than his January 11 hearing: 'To expand on the discussion of US policy options in the South China Sea, the United States seeks peaceful resolution of disputes and does not take a position on overlapping sovereignty claims...If confirmed, I would look forward to working with interagency partners to develop a whole-of-government approach to deter further Chinese coercion and land reclamation as well as challenges to freedom of navigation or overflight in the South China Sea.'²⁵

²⁰ Ibid.

²¹ David Brunnstrom and Matt Spetalnick, 'Tillerson says China should be barred deom South China Sea islands', *Reuters*, January 12 2017 <<http://www.reuters.com/article/us-congress-tillerson-china-idUSKBN14V2KZ->>.

²² Aaron Blake, 'Sean Spicer's defense of himself and explanation of Donald Trump's sensitivity, annotated', *The Washington Post*, January 23 2017 <https://www.washingtonpost.com/news/the-fix/wp/2017/01/23/sean-spicers-defense-of-himself-and-explanation-of-donald-trumps-sensitivity-annotated/?utm_term=.941bfd49c225>.

²³ Steve Reilly and Brad Heath, 'Steve Bannon's own words show sharp break on security issues', *USA Today*, January 31 2017 <<http://www.usatoday.com/story/news/2017/01/31/bannon-odds-islam-china-decades-us-foreign-policy-doctrine/97292068/>>.

²⁴ Phil Stewart, 'Mattis says no need for dramatic US military moves in South China Sea', *Reuters*, February 3 2017 <<http://www.reuters.com/article/us-usa-trump-southchinasea-mattis-idUSKBN15J061->>.

²⁵ Responses, *E & E News*, January 25 2017 <http://www.eenews.net/assets/2017/01/25/document_cw_02.pdf>.