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Xi Jinping to test if Donald Trump is a Paper Tiger

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There is great expectation in China that when President Xi Jinping meets President Donald Trump at the Mar-a-Lago resort (April 6-7) relations will be reset as the Chinese say in a “win-win” manner. At the moment the Chinese are not quite sure how Trump will react to various planks that he had outlined in the run-up to his elections, and even after that.

More challenging news now comes that Trump is issuing an executive order just before Xi’s arrival, directing officials to examine over a dozen countries, product by product, to identify dumping in the US. He is concerned about USA’s huge trade deficit. (India is one of the countries in this list). China is the number one country, though US-China bilateral trade in 2016 was around \$519 billion. China has trade surplus with most countries if not all, including India.

Trump has a slew of allegations against China ranging from trade and economic to military and strategic. But how consistent he is in sticking to his promised actions? He loudly proclaimed that USA’s “One China” policy (regarding Taiwan) will be reviewed, but fell in line after a telephone call from Xi. He reassured Xi that the “One China” policy will be honoured.

China experienced a meteoric rise in its economic power in the last two decades. Part of it powered its military modernisation which its neighbours interpret as “with us, or against us”. But all good things do not last and China faces economic slowdown. Beijing has embarked on an economic model change. It cannot rely on an export driven economy and has to create a surge in domestic demand. It is restructuring, but that is a complex enterprise, and will take time. It has a huge forex reserve, more than three trillion dollars. To keep the economic arteries alive it is seeking to invest abroad, mainly in developing countries where Chinese citizens are brought in to work. But the attitude of some of the Chinese workers in foreign countries, especially in developing countries, is odious, to say the least. Recently, a

Chinese citizen working for a Chinese cell phone manufacturing company, in an altercation with Indian employees, tore up the Indian national flag and dumped it in a trash bin. According to Indian law he could have been jailed for twelve months at least. He was sent back home and the company apologised. This is a demonstration of growing Chinese arrogance.

Some African countries where Chinese companies have invested, especially in the mining sector, have faced Chinese arrogance and exploitation.

The Chinese leaders realise that they have to move from cheap light industrial exports to more heavy sectors like steel and aluminium. The US Department of commerce has initiated an investigation on anti-dumping and countervailing duties on Chinese aluminium products. China has now huge excess capacity in several sectors which it has to address, because it affects jobs.

True to character, Trump's protectionism prescription is punishment. It cuts both ways, however. It is still early days and US industries are watching very carefully. If China stops buying heavy items from the US, American industries will also take a hit. According to China's Ministry of Commerce, it receives 26 percent of Boeing jet orders, 56 percent of US bean exports, 16 percent of automobile exports, and 15 percent of integrated circuit exports, among other things. For US companies, manufacturing in China is cheaper than making the products in the US, keeping domestic market prices down (though labour wages in China are also increasing).

But bringing back jobs to the US is not a simple mantra as Trump is trying to push. He just cannot dislocate America from the globalized world. It will result in American job losses which Trump can hardly afford at the moment, when his approval rate is going down sharply. China can absorb the blow back, given its political system.

A host of security and strategic issues encompassing the Asia Pacific region will be on the table. Trump has put the North Korean nuclear and missile development issue high on the agenda. By saying the US will deal with the situation with or without China, a veiled military option has been weighed in. This statement from Trump, coming just before Xi Jinping's visit, does not augur a good beginning.

Is this one of Trump's rants from which he will retract or is this a well-considered statement taking into consideration the views of all involved in US departments, will be revealed soon. Given his recent track record, this statement appears to be one of his personal brain waves or inspired by his son-in-law Jared Kushner, his prime foreign policy advisor.

America's two East Asian allies, Japan and South Korea are unlikely to subscribe to such a misadventure. An attack on Pyongyang's nuclear and missile establishment will also provoke in all likelihood a massive retaliation targeting South Korea, Japan and American military positions. Seoul can be reduced to rubble by North Korean artillery.

China will not stand by idly. If the US tries to get an UN sanction for such a military action, it will not pass. The impact will be unimaginable.

China is a key player in the North Korean nuclear issue. Although Beijing's influence on Pyongyang may have reduced as they claim, no other country has near as much influence as China has. All roads to North Korea lie through China. Periodic stoppage of oil supplies or small trade sanctions whenever there is an international outrage over North Korea's nuclear and missile tests, are not convincing. President Xi Jinping has not met North Korean leader Kim Jong-Un, and not likely to any time soon. But that does not preclude the two countries from conducting deep exchanges.

There is a defence from China's side that if North Korea collapses, a flood of refugees will pour into China and create a very difficult law and order and social situation, impacting its security. China has a point, but a limited one.

China's problem is that if North Korea collapses, it would unite with South Korea and a bigger and stronger Korea (with nuclear power) will emerge on China's shoulder, with American influence. This is just not acceptable to Beijing. The balance of power may shift heavily in favour of the US and its allies in East Asia, just when China is trying to knit together the concept of "Asian Security for Asians and by Asian only".

The six-party (China, US, North Korea, South Korea, Japan and Russia) talks remain frozen. Meanwhile, the freeze has given space to North Korea to improve its nuclear and missile capability right under China's (benevolent?) nose.

China's strong opposition to the THAAD advanced antimissile defence system in South Korea is linked to both North Korea and US-China rivalry for military supremacy in the region. The US has already started the process and Trump is unlikely to pull back at this moment.

Two Chinese moves must be taken into consideration. One is the 2014 Shanghai summit of the Conference on Interaction and Confidence-Building Measures in Asia (CICA). Xi Jinping proposed a charter on how Asians could manage security for themselves. He followed it up with further elaboration in the 2016 CICA meeting. The low tone was how to come together under China's leadership and keep the US out.

The other is the White Paper on "China's Policies on Asia-Pacific Security Cooperation" (January, 2017). This is the first Chinese White Paper on a new regional architecture under China's leadership but not totally evicting the US. The two moves need to be analysed together as they are two parts of a whole. President Donald Trump and his team must ask the Chinese during Xi Jinping's visit or at a separate bilateral forum, to give specific clarity. Not all countries in Asia, or Asia-Pacific region/ Indo-Pacific region can surrender to this Chinese vision.

The problem in the Asia Pacific region is that most if not all countries depend on China economically but look to the US where military and security are concerned. China believes that economy and security are two wheels of a chariot and must be joined by one axle- that is China.

A host of other issues are likely to be on the Trump-Xi agenda, not the best being the South China Sea issue. At the same time, non-militarization of the Indian Ocean must be kept in view. Prowling in the Indian Ocean with battle ships and attack submarines on the excuse of defending interests is not conducive to the stability of the Indian Ocean littoral states.

Xi Jinping will be visiting the US for this summit meeting when President Trump is fighting internal fires lit by him. Trump's handpicked secretary of State Rex Tillerson's maiden visit to China showed up some weaknesses. In Beijing, Tillerson Lip-synced the Chinese recipe for major power relations with the US – principle “no conflict, no confrontation, mutual respect and win-win cooperation”, withdrawing from the earlier aggressive position.

China was appreciative of Trump's efforts to erase whatever was the Obama policy, especially in foreign policy centered on Obama's Asian Pivot. This is just the beginning. There should be no expectation that Xi Jinping will retract in any conceivable move against US pressure. He is at the top of his power and the 19th Congress of the Chinese communist party in the autumn fall this year is critical for him. He cannot show any weakness.

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