The US Administration’s Asia Policy

Tony Saich
Canon Institute
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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
    • First1/4 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?
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 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 ascendency
  • 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?