

China and Trumpism: the political contradictions of global capitalism

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February 14, 2017 — [Links International Journal of Socialist Renewal](#) — When China's richest man, Wang Jianlin, [warned last December](#) that a U.S. trade war against China would result in disaster for the United States it was no idle threat. Trump scores political points with his social base each time he rails at Beijing yet the U.S. and the global economy would grind to a halt if it were not for China's preponderant role in shoring up global capitalism at this moment of acute crisis.

The simplistic notion that Trumpism represents a return to protectionism and national trade rivalries conceals the real inner contradictions of global capitalism that are bringing the 21st century world order to the breaking point. The system faces a structural crisis of extreme inequality and overaccumulation, as well as a political crisis of legitimacy and an ecological crisis of sustainability. But there is another dimension to crisis that is escalating international tensions and, depending on the turn of events, could well spark world conflagration. The disjuncture between a globalizing economy and a nation-state system of political authority threatens to undermine the system's ability to manage the crisis and helps explain Trump's reckless anti-China posturing.

Global Capitalism no longer has a hegemonic center

There has historically been a succession of hegemonic powers, from Spain in the 16th century, to the Netherlands in the 17th, England in the 18th and 19th, and finally the United States in the 20th. As each "hegemon" rose to dominance it organized the political institutions and economic rules of the world capitalist system. While academics now debate the decline of U.S. hegemony and the possible rise of China, what is certain is that the global economy is increasingly Sino-centered and the existing political scaffolding of world capitalism is hopelessly outdated. Simply put, China's international political clout does not match its expanding economic role in the global economy. The current world political order dates to the creation in 1944 of the Bretton Woods institutions by the Western victors in World War II, and includes the World Bank, the International Monetary Fund, and the United Nations System. The rich Western states also established their NATO military alliance and numerous political forums for their collective rule, among them, the Bilderberg Club and the Trilateral Commission. The United States, along with Western Europe, dominates decision-making in these institutions, while the status of the U.S. dollar as the international currency makes the U.S. Treasury the world's central bank.

However, as globalization has brought into being a [Transnational Capitalist Class \(TCC\)](#) and a global production and financial system into which all nations have been integrated, the BRICS (Brazil, Russia, India, China, South Africa) and other countries in the Global South have emerged as major players in the global economy. The leading capitalist groups from these countries have joined the ranks of the emerging TCC and have acquired a stake in the stability and well being of global capitalism. But all this has occurred within the framework of an increasingly arcane international political order.

Global capitalism is particularly dependent on China, given vast worldwide chains of subcontracting and outsourcing and the central role China plays in those chains. China provides a market for transnational corporations and until recently a sink for surplus accumulated capital, along with a vast supply of cheap labor controlled by a repressive state. China became in the past three decades the new "workshop of the world." Moreover, China leads the way in what is a surge in outward foreign

direct investment from countries in the Global South to other parts of the South and to the North. Between 1991 and 2003, [China's foreign direct investment increased 10-fold](#), and then increased 13.7 times from 2004 to 2013, from \$45 billion to \$613 billion.

The more enlightened among transnational elites have been clamoring for more effective transnational state apparatuses to resolve this disjuncture between a globalizing economy and a nation-state based system of political authority. They have been seeking transnational mechanisms of governance – such as the creation of the World Trade Organization in 1995 and the establishment of the G20 in 1999 – that would allow the global ruling class to stabilize the system in the interests of saving global capitalism from itself and from radical challenges from below.

The World Economic Forum (WEF), which holds its famed annual meeting in Davos, Switzerland, has called for [new forms of global corporate rule](#), including a proposal to remake the United Nations system into a hybrid corporate-government entity run by TNC executives in “partnership” with governments. “The weakening of multiple systems has eroded confidence at the national, regional, and global levels,” [warned the call to the 2017 Davos meeting](#), held this past January 17-20. “In the absence of innovative and credible steps towards their renewal, the likelihood increases of a downward spiral to the global economy.”

Trump vs. Xi Jinping

The U.S. and Chinese economies are inextricably interwoven. They are less autonomous national economies than two key constituent parts of an integrated global economy. Trump has accused China of manipulating its currency, threatened to levy a 45 percent tariff on certain Chinese goods, and suggested he would use the “one China” policy as a bargaining tool in trade negotiations. Yet the simple fact is the TCC in both China and the United States are dependent on their expanding economic ties.

While Trump was spouting his right-wing populism and protectionist threats in the run up to his January 20 inauguration, Chinese President Xi Jinping took center stage at the January WEF conclave, delivering an [inaugural speech](#) that called for an open global economy and a new international political order. The TCC welcomed the Chinese president's Davos debut on the world political stage and is pleased to see China take the reins of global leadership. The irony should be lost on no one that the two richest men in China, Wang Jianlin, and Jack Ma, the latter the founder of Alibaba, China's largest e-commerce company, accompanied Xi.

Foreign direct investment (FDI) between the United States and China has surged over the past two decades, according to a [2016 report](#) by two industry groups, Rhodium and the National Committee on U.S.-China Relations. In 2015, more than 1,300 U.S.-based companies had investments of \$228 billion in China, while Chinese companies invested \$64 billion in the United States, up from close to zero just ten years earlier, and held \$153 billion in assets.

Notwithstanding Trump's ranting about a U.S. trade deficit with China, Chinese exports to the United States are transnational capitalist exports. And for that matter, an over-valued Chinese currency actually benefits transnational corporations that export from China to the U.S. and the global markets. Indeed, as Trump himself has insinuated, his anti-China rhetoric and threats are aimed at creating an environment in which he can twist the Chinese state into making greater concessions to global capital (the same can be said for his anti-Mexico discourse).

Moreover, according to the [Treasury](#), the largest foreign holder of U.S. debt is China, which owns more than \$1.24 trillion in bills, notes, and bonds or about 30 percent of the over \$4 trillion in

Treasury bills, notes, and bonds held by foreign countries. In total, China owns about 10 percent of publicly held U.S. debt. In turn, deficit spending and debt-driven consumption has made the United States in recent decades the “market of last resort,” helping to stave off greater stagnation and even collapse of the global economy by absorbing Chinese and world economic output.

It was not, hence, a mere idle threat when China’s lead multibillionaire, Wang Jianlin, whose Dalian Wanda Group recently acquired the AMC cinema chain, [warned the Trump regime](#) that he would withdraw \$10 billion in investments in the film and real estate industries in United States. “More than 20,000 employees wouldn’t have anything to eat should things be handled poorly,” he said. “The growth of English films depends on the Chinese market.”

Crisis of global capitalism

Trumpism encapsulates the conflicting economic and political pressures on the U.S. state. The crisis of global capitalism has become more acute in the face of economic stagnation and the rise of anti-globalization populism on both the left and the right of the political spectrum. Trumpism does not represent a break with capitalist globalization as much as a conflictive recomposition of political forces and ideological discourse as the crisis deepens and as international tensions reach new depths.

The U.S. military-security apparatus finds it difficult to adapt to new global realities and U.S. rulers rely on imperial bluster for its legitimacy among a chauvinistic base of the U.S. workers experiencing downward mobility and disaffection with the establishment elite. U.S. provocations in the South China Sea, its “Asia pivot” and anti-China bravado are escalating tensions even as they threaten to aggravate the crisis of global capitalism. A recent [U.S. intelligence report](#) warned of war between the U.S. and China, and one senior Chinese military official quoted on January 27 in the [South China Morning Post](#) warned that war with the U.S. under Trump is “not just a slogan” but threatens to become a “practical reality.”

What does rising Chinese global leadership mean for the global working class? The Chinese state is a capitalist state. The rise of a powerful TCC in China and of the superrich and a high-consumption middle class alongside the rising exploitation of hundreds of millions of Chinese workers, now at the cutting edge of labor struggle worldwide, is well known. “China represents the future of global capitalism,” said [one Chinese labor organizer](#), “but it is also the future of the labor movement.”

Yet Chinese capitalism has not followed the neo-liberal route to global capitalist integration. The state retains a key role in the financial system, in regulating private capital, and in planning. This allows it to develop 21st century infrastructure and to guide capital accumulation into aims broader than that of immediate profit making, something that Western capitalist states cannot accomplish due to the rollback of public sectors, privatization, and deregulation.

A set of more balanced transnational state institutions that reflect the new realities of a multipolar and interdependent global capitalist system could deescalate mounting international tensions and the threat of war. We should harbor no illusions that a new global political architecture can either humanize capitalism or resolve the crisis absent mass struggle for a redistribution of wealth and power downward. The return to an interventionist capitalist state around the world, however, may make more effective the demands placed on states by popular and leftist struggles from below.

Reports from the Economic Front

a blog by Marty Hart-Landsberg

<https://economicfront.wordpress.com/2017/02/13/trumps-economic-policies-are-no-answer-to-our-problems/>

Trump's Economic Policies Are No Answer To Our Problems

[Leave a comment](#) Posted by [mhl](#) on February 13, 2017

President Trump has singled out unfair international trading relationships as a major cause of US worker hardship. And he has promised to take decisive action to change those relationships by pressuring foreign governments to rework their trade agreements with the US and change their economic policies.

While international economic dynamics have indeed worked to the disadvantage of many US workers, Trump's framing of the problem is highly misleading and his promised responses are unlikely to do much, if anything, to improve majority working and living conditions.

President Trump and his main advisers have aimed their strongest words at Mexico and China, pointing out that the US runs large trade deficits with each, leading to job losses in the US. For example, Bloomberg News [reports](#) that Peter Navarro, the head of President Trump's newly formed White House National Trade Council "has blamed Nafta and China's 2001 entry into the World Trade Organization for much, if not all, of a 15-year economic slowdown in the U.S." In other words, poor negotiating skills on the part of past US administrations has allowed Mexico and China, and their workers, to gain at the expense of the US economy and its workers.

However, this nation-state framing of the origins of contemporary US economic problems is seriously flawed. It also serves to direct attention away from the root cause of those problems: the profit-maximizing strategies of large, especially US, multinational corporations. It is the power of these corporations that must be confronted if current trends are to be reversed.

Capitalist Globalization Dynamics

Beginning in the late 1980s large multinational corporations, including those headquartered in the US, began a concerted effort to reverse declining profits by establishing [cross border production networks](#) (or global value chains). This process knitted together highly segmented economic processes across national borders in ways that allowed these corporations to lower their labor costs as well as reduce their tax and regulatory

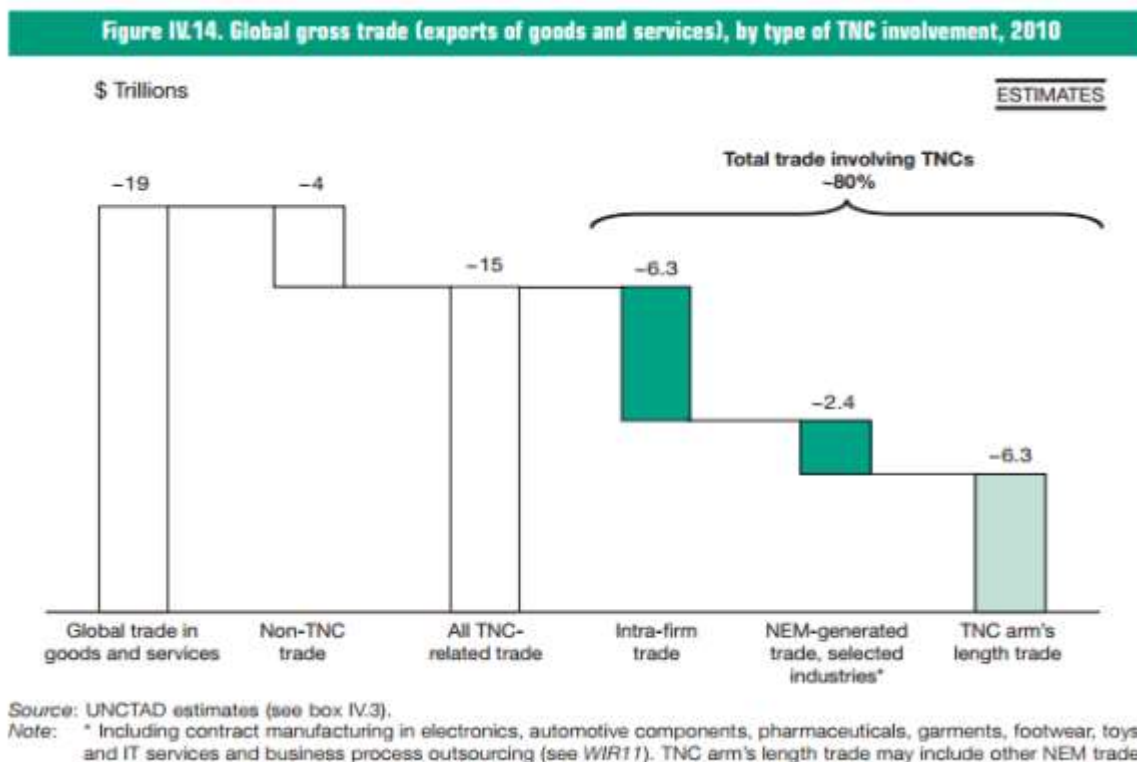
obligations. Their globalization strategy succeeded; corporate profits soared. It is also no longer helpful to think about international trade in simple nation-state terms.

As the United Nations Conference on Trade and Development [explains](#):

Global trade and foreign direct investment have grown exponentially over the last decade as firms expanded international production networks, trading inputs and outputs between affiliates and partners in GVCs [Global Value Chains].

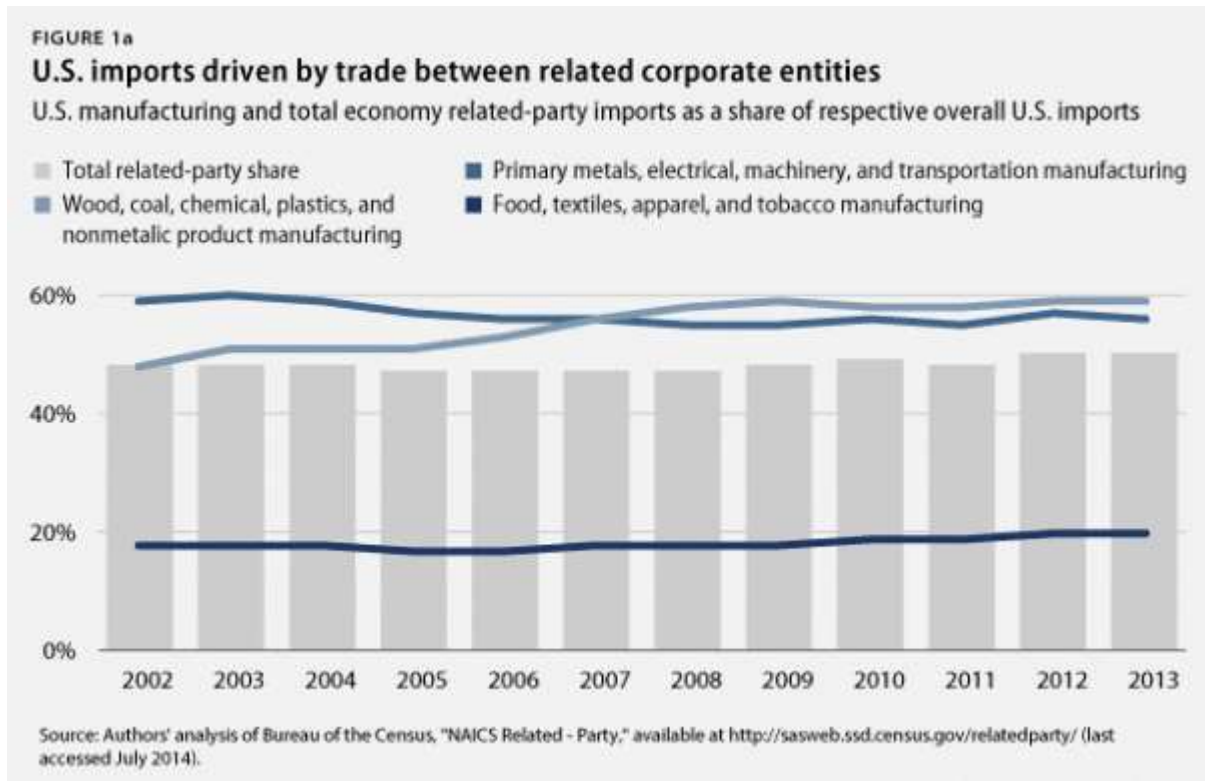
About 60 per cent of global trade, which today amounts to more than \$20 trillion, consists of trade in intermediate goods and services that are incorporated at various stages in the production process of goods and services for final consumption. The fragmentation of production processes and the international dispersion of tasks and activities within them have led to the emergence of borderless production systems – which may be sequential chains or complex networks and which may be global, regional or span only two countries.

UNCTAD estimates (see the figure below) that some 80 percent of world trade “is linked to the international production networks of TNCs [transnational corporations], either as intra-firm trade, through NEMs [non-equity mechanisms of control] (which include, among others, contract manufacturing, licensing, and franchising), or through arm’s-length transactions involving at least one TNC.”



In other words, multinational corporations have connected and reshaped national economies along lines that best maximize their profit. And that includes the US economy. As we see in the figure below, taken from [an article](#) by Adam Hersh and Ethan Gurwitz, the share of all US merchandise imports that are intra-firm, meaning are sold by

one unit of a multinational corporation to another unit of the same multinational, has slowly but steadily increased, reaching 50 percent in 2013. The percentage is considerably higher for imports of manufactures, including in key sectors like electrical, machinery, transportation, and chemicals.

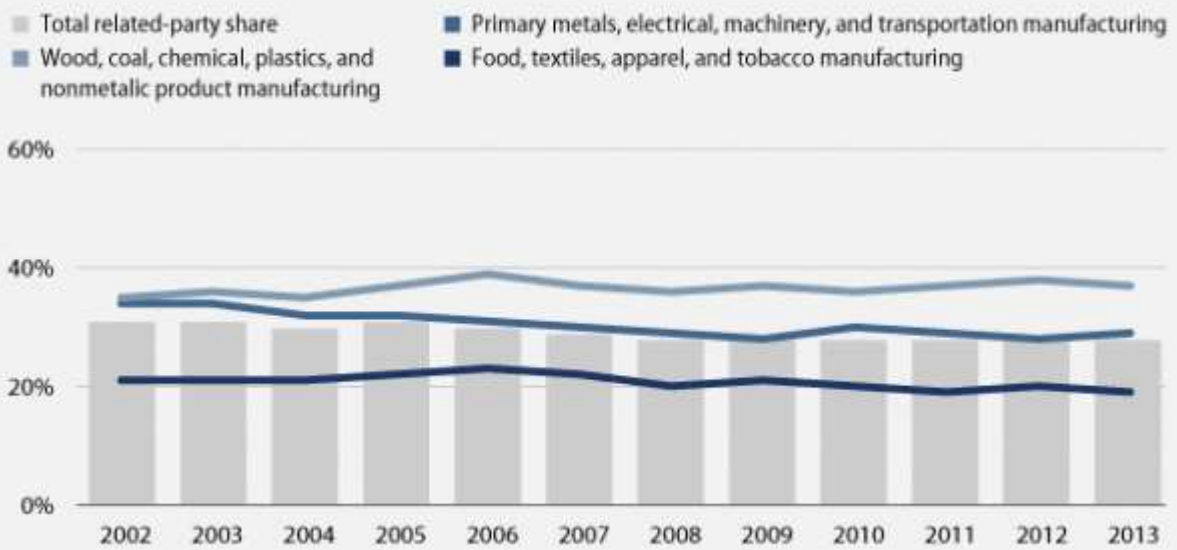


The percentage is lower, but still significant for US exports. As we see in the following figure, approximately one-third of all merchandise exports from the US are sold by one unit of a multinational corporation to another unit of the same company.

FIGURE 1b

Exporting from the U.S. to related corporate entities remains less common

U.S. manufacturing and total economy related-party exports as a share of respective overall U.S. exports



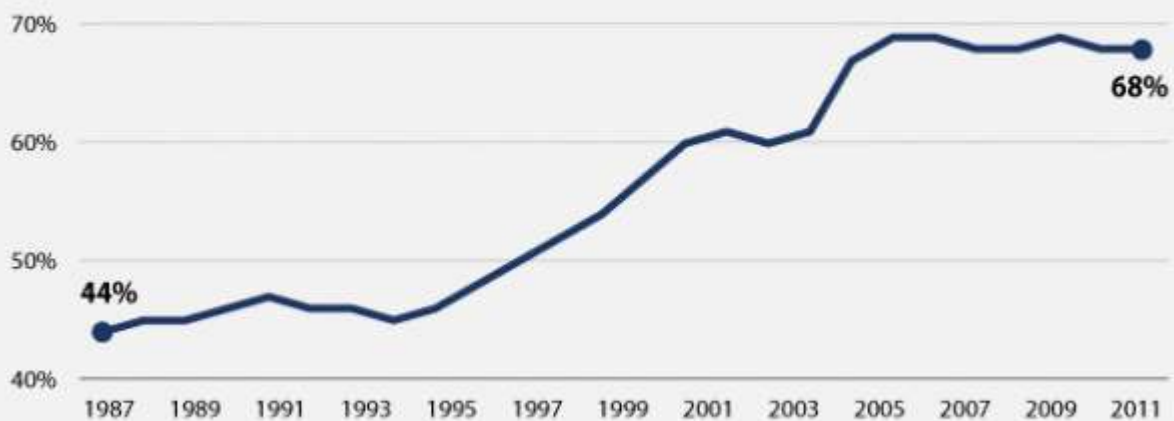
Source: Authors' analysis of Bureau of the Census, "NAICS Related - Party," available at <http://sasweb.ssd.census.gov/relatedparty/> (last accessed July 2014).

The percentage of intra-firm trade is far higher for services, as illustrated in the next figure.

FIGURE 2

Increasing U.S. service exports to related corporate entities follow offshoring

Service exports to related corporate entities as a share of overall U.S. service exports



Source: Authors' analysis of Bureau of Economic Analysis, Table A: Services Supplied to Foreign and U.S. Markets through Cross-Border Trade and Through Affiliates 1986-2012 (U.S. Department of Commerce, 2013), available at http://www.bea.gov/international/international_services.htm.

As Hersh and Gurwitz comment,

The trend is clear: As offshoring practices increase, companies need to provide more wraparound services—the things needed to run a businesses besides direct production—to their offshore production and research and development activities. Rather than indicating the competitive strength of U.S. services businesses to expand abroad, the growth in

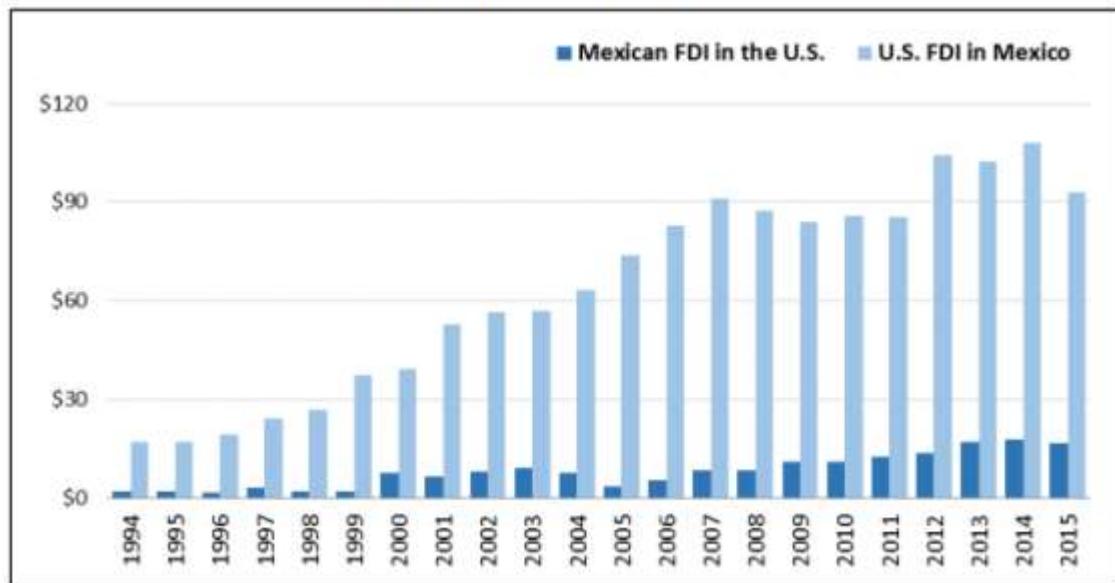
services exports follows the pervasive offshoring of manufacturing and commercial research activities.

Thus, there is no simple way to change US trade patterns, and by extension domestic economic processes, without directly challenging the profit maximizing strategies of leading multinational corporations. To demonstrate why this understanding is a direct challenge to President Trump's claims that political pressure on major trading partners, especially Mexico and China, can succeed in boosting the fortunes of US workers, we look next at the forces shaping US trade relationships with these two countries.

The US-Mexican Trade Relationship

US corporations, taking advantage of NAFTA and the Mexican peso crisis that followed in 1994-95, poured billions of dollars into the country (see the figure below). Their investment helped to dramatically expand a foreign-dominated export sector aimed at the US market that functions as part of a North American region-wide production system and is largely independent of the stagnating domestic Mexican economy.

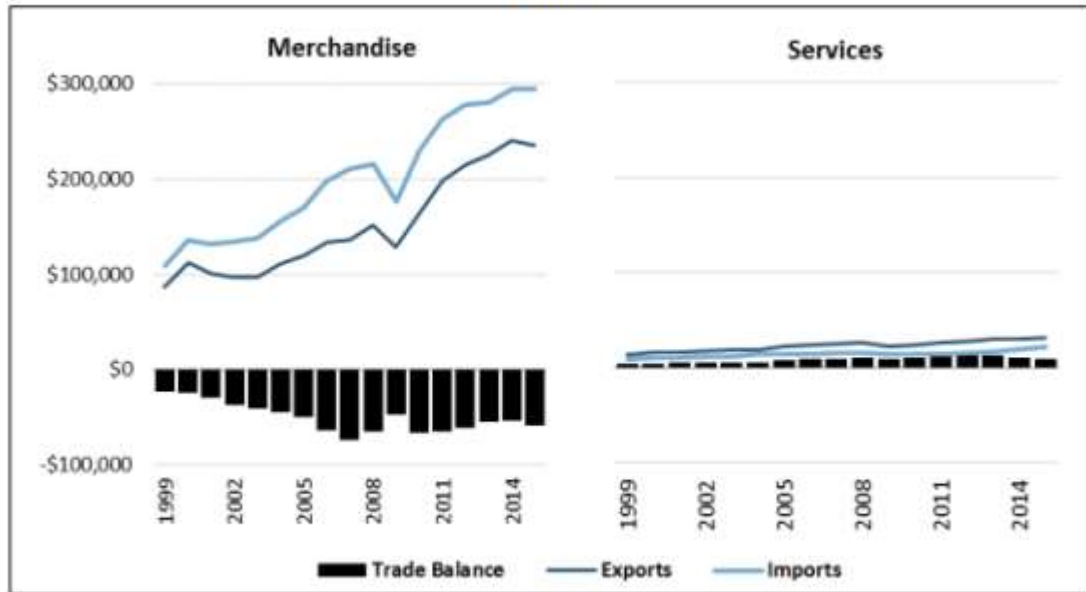
Figure 2. U.S. and Mexican Foreign Direct Investment Positions
1994-2014 Historical Cost Basis



Source: U.S. Department of Commerce, Bureau of Economic Analysis.

Some 80 percent of Mexico's exports are sold to the US and the country runs a significant merchandise trade surplus with the US, as shown in the figure below.

Figure 1. U.S. Trade with Mexico: 1999-2015
(U.S. \$ in millions)



Source: Compiled by CRS using the United States International Trade Commission (USITC) Interactive Tariff and Trade DataWeb at <http://dataweb.usitc.gov>.

Leading Mexican exports to the US include motor vehicles, motor vehicle parts, computer equipment, audio and video equipment, communications equipment, and oil and gas. However, with the exception of oil and gas, these are far from truly “Mexican” exports. As a report from the US Congressional Research Service [describes](#):

A significant portion of merchandise trade between the United States and Mexico occurs in the context of [production sharing](#) as manufacturers in each country work together to create goods. Trade expansion has resulted in the creation of vertical supply relationships, especially along the U.S.-Mexico border. The flow of intermediate inputs produced in the United States and exported to Mexico and the return flow of finished products greatly increased the importance of the U.S.- Mexico border region as a production site. U.S. manufacturing industries, including automotive, electronics, appliances, and machinery, all rely on the assistance of Mexican [based] manufacturers. One report estimates that 40% of the content of U.S. imports of goods from Mexico consists of U.S. value added content.

Because foreign multinationals, many of which are US owned, produce most of Mexico’s exports of “advanced” manufactures using imported components, the country’s post-Nafta export expansion has done little for the overall health of the Mexican economy or the well-being of Mexican workers. As Mark Weisbrot [points out](#):

If we look at the most basic measure of economic progress, the growth of gross domestic product, or income per person, Mexico, which signed on to NAFTA in 1994, has performed the 15th-best out of 20 Latin American countries.

Other measures show an even sadder picture. The poverty rate in 2014 was 55.1 percent, an increase from the 52.4 percent measurement in 1994.

Wages tell a similar story: There's been almost no growth in real inflation-adjusted wages since 1994 — just about 4.1 percent over 21 years.

Representative Sander Levin and Harley Shaiken [make clear](#) that the gains have been nonexistent even for workers in the Mexican auto industry, the country's leading export center:

Consider the auto industry, the flagship manufacturing industry across North America. The Mexican auto industry exports 80 percent of its output of which 86 percent is destined for the U.S. and Canada. If high productivity translated into higher wages in Mexico, the result would be a virtuous cycle of more purchasing power, stronger economic growth, and more imports from the U.S.

In contrast, depressed pay has become the “comparative advantage”. Mexican autoworker compensation is 14 percent of their unionized U.S. counterparts and auto parts workers earn even less—\$2.40 an hour. Automation is not the driving force; its depressed wages and working conditions.

In other words, US workers aren't the only workers to suffer from the globalization strategies of multinational corporations. [Mexican workers](#) are also suffering, and resisting.

In sum, it is hard to square this reality with Trump's claim that because of the way NAFTA was negotiated Mexico “[has made us look foolish](#).” The truth is that NAFTA, as designed, helped further a corporate driven globalization process that has greatly benefited US corporations, as well as Mexican political and business elites, at the expense of workers on both sides of the border. Blaming Mexico serves only to distract US workers from the real story.

The US-Chinese Trade Relationship

The Chinese economy also went through a [major transformation](#) in the mid-1990s which paved the way for a massive inflow of export-oriented foreign investment targeting the United States. The process and outcome was different from what happened in Mexico, largely because of the legacy of Mao era policies. The post-1978 state-directed reform program greatly benefited from an absence of foreign debt, the existence of a broad, largely self-sufficient state owned industrial base, little or no foreign investment or trade, and a relatively well-educated and healthy working class. This starting point allowed the Chinese state to retain considerable control over the country's economic transformation even as it took steps to marketize economic activity in the 1980s and privatize state production in the 1990s.

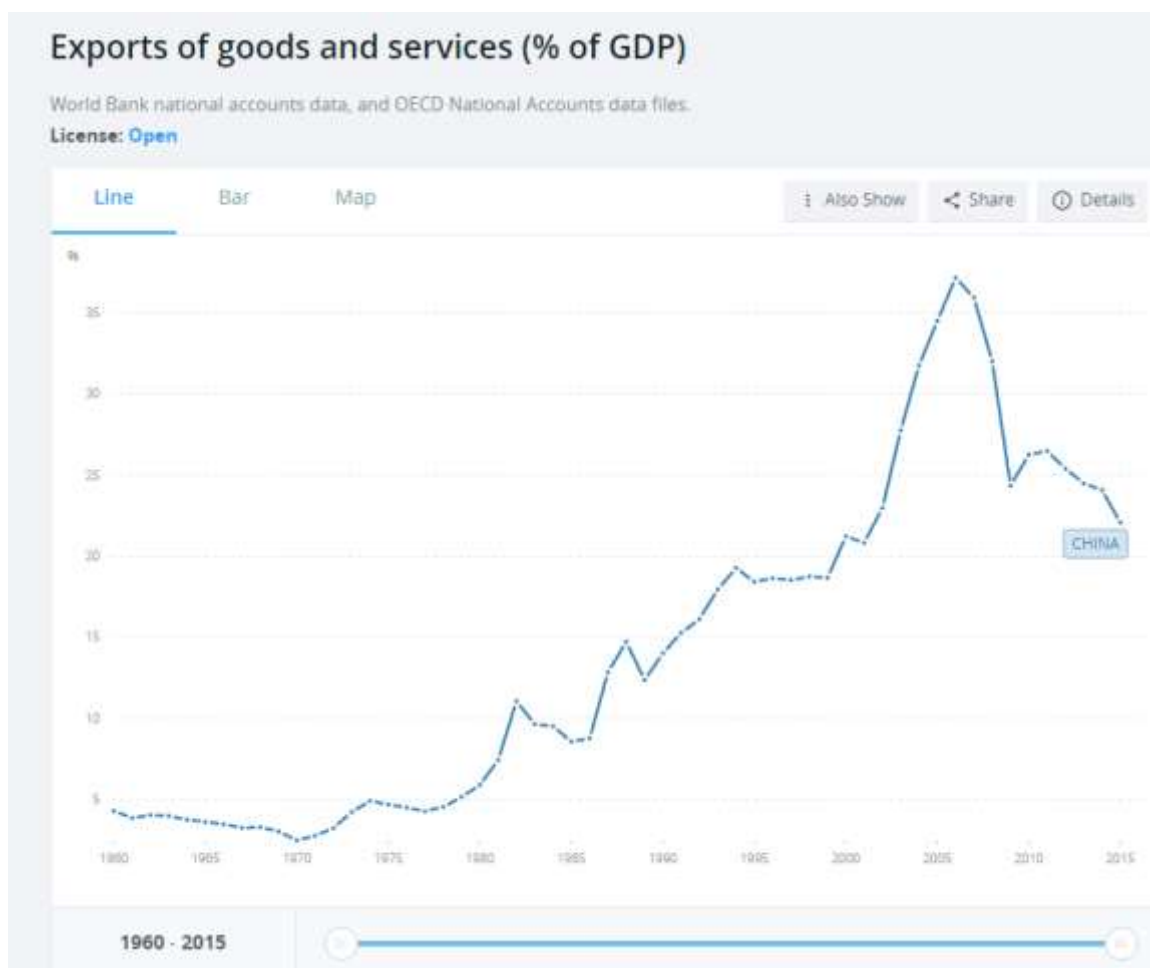
Faced with growing popular resistance to privatization and balance of payments problems, the Chinese state decided, in the mid-1990s, to embrace a growing role for export-oriented foreign investment. This interest in attracting foreign capital dovetailed with the desire of multinational corporations to globalize their production. Over the decade of the 1990s and 2000s, multinational corporations built and expanded [cross border production networks](#)

[throughout Asia](#), and once China joined the WTO, the country became the region's primary final assembly and export center.

As a result of this development, foreign produced exports became one, if not the main driver of Chinese growth. For example, [according to Yılmaz Akyüz](#), former Director of UNCTAD's Division on Globalization and Development Strategies:

despite a high import content ranging between 40 and 50 percent, approximately one-third of Chinese growth before the global crisis [of 2008] was a result of exports, due to their phenomenal growth of some 25 percent per annum. This figure increases to 50 percent if spillovers to consumption and investment are allowed for. The main reason for excessive dependence on foreign markets is under consumption. This is due not so much to a high share of household savings in GDP as to a low share of household income and a high share of profits

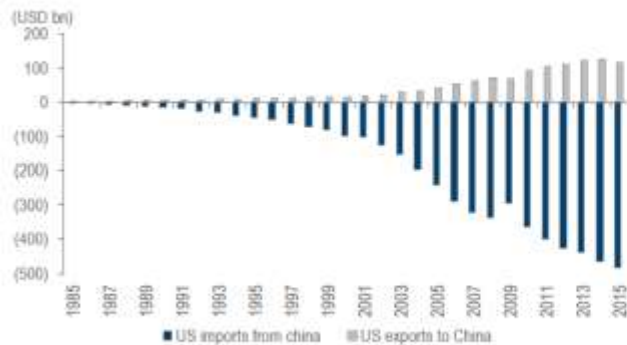
The figure below illustrates the phenomenal growth in Chinese exports.



The US soon became the primary target of China's exports (see the trade figures [below](#)). The US now [imports more goods](#) from China than from any other country, approximately \$480 billion in 2015, followed by Canada and Mexico (roughly \$300 billion each). The US also runs its largest merchandise trade deficit with China, \$367 billion in

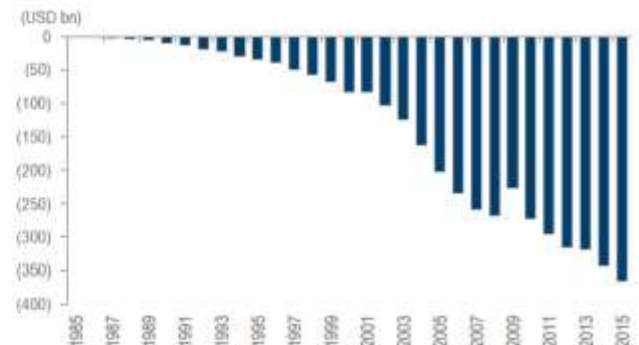
2015, equal to 48 percent of the overall US merchandise trade deficit. In second place was Germany, at only \$75 billion.

US-China bilateral trade



Source: CEIC, Daiwa

US trade deficit with China



Source: CEIC, Daiwa

Adding to China's high profile is the fact that it is the primary supplier of many high technology consumer goods, like cell phones and laptops. [More specifically:](#)

(F)or 825 products, out of a total of about 5,000, adding up to nearly \$300 billion, China supplies more than all our other trade partners combined. Of these products, the most important is cell phones, where \$40 billion in imports from China account for more than three-quarters of the total value imported.

There are also 83 products where 90 percent or more of US imports come from China; together these accounted for a total of \$56 billion in 2015. The most important individual product in this category is laptop computers, which alone have an import value of \$37 billion from China, making up 93 percent of the total imported.

Of course, China is also a major supplier of many low-technology, low-cost goods as well, including clothing, toys, and furniture.

Not surprisingly, exports from China have had a significant effect on US labor market conditions. Economists [David Autor, David Dorn and Gordon Hanson](#) "conservatively estimate that Chinese import competition explains 16 percent of the U.S. manufacturing employment decline between 1990 and 2000, 26 percent of the decline between 2000 and 2007, and 21 percent of the decline over the full period." They also find that Chinese import competition "significantly reduces earnings in sectors outside manufacturing."

President Trump has accused China of engaging in an undeclared trade war against the United States. However, while Trump's charges conjure up visions of a massive state run export machine out to crush the United States economy for the benefit of Chinese workers, the reality is quite different.

First, although the Chinese state retains important levers of control over economic activity, especially the state-owned banking system, the great majority of all industrial production and export activity is carried out by [private firms](#). In 2012, state owned enterprises accounted for only 24 percent of Chinese industrial output and 18 percent of urban

employment. As for exports, by 2013 the share of state owned enterprises was down to 11 percent. Foreign-owned multinationals were responsible for 47 percent of all Chinese exports. And, most importantly in terms of their effect on the US economy, these multinational corporations produce [approximately 82 percent](#) of China's high-technology exports.

Second, although these high-tech exports come from China, for the most part they are not really "Chinese" exports. As noted above, China now functions as the primary assembly point for the region's cross border production networks. Thus, the majority of the parts and components used in Chinese-based production of high-technology goods come from firms operating in other Asian countries. In many cases China's only contribution is its low-paid labor.

A Washington Post [article](#) uses the Apple iPhone 4, a product that shows up in trade data as a Chinese export, to illustrate the country's limited participation in the production of its high technology exports:

In [a widely cited study](#), researchers found that Apple created most of the product's value through its product design, software development and marketing operations, most of which happen in the United States. Apple ended up keeping about 58 percent of the iPhone 4's sales price. The gross profits of Korean companies LG and Samsung, which provided the phone's display and memory chips, captured another 5 percent of the sales price. Less than 2 percent of the sales price went to pay for Chinese labor.

"We estimate that only \$10 or less in direct labor wages that go into an iPhone or iPad is paid to China workers. So while each unit sold in the U.S. adds from \$229 to \$275 to the U.S.-China trade deficit (the estimated factory costs of an iPhone or iPad), the portion retained in China's economy is a tiny fraction of that amount," the researchers wrote.

The same situation exists with laptop computers, which are assembled by Chinese workers under the direction of Taiwanese companies using imported components and then exported as Chinese exports. Economists have [estimated](#) that the US-Chinese trade balance would be reduced by some 40 percent if the value of these imported components were subtracted from Chinese exports. Thus, it is not Chinese state enterprises, or even Chinese private enterprises, that are driving China's exports to the US. Rather it is foreign multinationals, many of which are headquartered in the US, including Apple, Dell, and [Walmart](#).

And much like in Mexico, Chinese workers enjoy few if any benefits from their work producing their country's exports. The figure below highlights the steady fall in labor compensation as a share of China's GDP.



Approximately 80 percent of Chinese manufacturing workers are internal migrants with a rural household registration. This means they are not entitled to access the free or subsidized public health care, education, or other social services available in the urban areas where they now work; the same is true for their children even if they are born in urban areas. Moreover, most migrants receive little protection from Chinese labor laws.

For example, as China Labor Bulletin [reports](#):

In 2015, seven years after the implementation of the Labor Contract Law, only 36 percent of migrant workers had signed a formal employment contract with their employer, as required by law. In fact the percentage of migrant workers with formal contracts actually declined last year by 1.8 percent from 38 percent. For short-distance migrants, the proportion was even lower, standing at just 32 percent, suggesting that the enforcement of labor laws is even less rigid in China's inland provinces and smaller cities.

According to the [2014] migrant worker survey . . . the proportion of migrant workers with a pension or any form of social security remained at a very low level, around half the national average. In 2014, only 16.4 percent of long-distance migrants had a pension and 18.2 percent had medical insurance.

Despite [worker struggles](#), which did succeed in pushing up wages over the last 7 years, most migrant workers continue to struggle to make ends meet. Moreover, with Chinese growth rates now slipping, and the government eager to restart the export growth machine, many local governments have [decided](#), with central government approval, to freeze minimum wages for the next two to four years.

In short, it is not China, or its workers, that threaten US jobs and well-being. It is the logic of capitalist globalization. Thus, Trump's call-to-arms against China obfuscates the real cause of current US economic problems and encourages working people to pursue a strategy of nationalism that can only prove counterproductive.

The Political Challenge Facing US Workers

The globalization process highlighted above was strongly supported by all major governments, especially by successive US administrations. In contrast to Trump claims of a

weak US governmental effort in support of US economic interests, US administrations used their considerable global power to secure the creation of the WTO and approval of a host of other multilateral and bilateral trade agreements, all of which provided an important infrastructure for capital mobility, thereby supporting the globalizing efforts of leading US multinational corporations.

President Trump has posed as a critic of existing international arrangements, claiming that they have allowed other countries, such as Mexico and China, to prosper at US expense. He has stated that he will pursue new bilateral agreements rather than multilateral ones because they will better serve US interests and he has demanded that US multinational corporations shift their investment and production back to the US.

Such statements have led some to believe that the Trump administration is serious about challenging globalization dynamics in order to rebuild the US economy in ways that will benefit US working people. But there are strong reasons to doubt this. Most importantly, he seems content to threaten other governments rather than challenge the profit-maximizing logic of dominant US companies, which as we have seen is what needs to happen.

One indicator: an administration serious about challenging the dynamics of globalization would have halted US participation in all ongoing negotiations for new multilateral agreements, for example the [Trade in Services Agreement](#) which is designed to encourage the privatization and deregulation of services for the benefit of multinational corporations. This has not happened.

Such an administration would also renounce support for existing and future bilateral agreements that contain chapters that strengthen the ability of multinational corporations to dominate key sectors of foreign economies and sue their governments in supranational secret courts. This has not happened.

Another indicator: an administration serious about creating a healthy, sustainable, and equitable domestic economy would strengthen and expand key public services and programs; rework our tax system to make it more progressive; tighten and increase enforcement of health and safety and environmental regulations; strengthen labor laws that protect the rights of workers, including to unionize; and boost the national minimum wage. The Trump administration appears determined to do the opposite.

Such an administration would also begin to develop the state capacities necessary to redirect existing production and investment activity along lines necessary to rebuild our cities and infrastructure, modernize our public transportation system, and reduce our greenhouse gas emissions. The Trump administration appears committed to the exact opposite.

In short, if we take Trump's statements seriously, that he actually wants to shift trading relationships, then it appears that his primary strategy is to make domestic conditions so profitable for big business, that some of the most globally organized corporations will shift some of their production back to the United States. However, even if he succeeds, it is very

unlikely that this will contribute to an improvement in majority living and working conditions.

The main reason is that US corporations, having battered organized labor with the assistance of successive administrations, have largely stopped creating jobs that provide the basis for economic security and well-being. Economists Lawrence F. Katz and Alan B. Krueger [examined the growth](#) from 2005 to 2015 in “alternative work arrangements,” which they defined as temporary help agency workers, on-call workers, contract workers, and independent contractors or freelancers.

They found that the percentage of workers employed in such arrangements rose from 10.1 percent of all employed workers in February 2005 to 15.8 percent in late 2015. But their most startling finding is the following:

A striking implication of these estimates is that all of the net employment growth in the U.S. economy from 2005 to 2015 appears to have occurred in alternative work arrangements. Total employment according to the CPS increased by 9.1 million (6.5 percent) over the decade, from 140.4 million in February 2005 to 149.4 in November 2015. The increase in the share of workers in alternative work arrangements from 10.1 percent in 2005 to 15.8 percent in 2015 implies that the number of workers employed in alternative arrangement increased by 9.4 million (66.5 percent), from 14.2 million in February 2005 to 23.6 million in November 2015. Thus, these figures imply that employment in traditional jobs (standard employment arrangements) slightly declined by 0.4 million (0.3 percent) from 126.2 million in February 2005 to 125.8 million in November 2015.

A further increase in employment in such “alternative work arrangements, which means jobs with no benefits or security, during a period of Trump administration-directed attacks on our social services, labor laws, and health and safety and environmental standards is no answer to our problems. Despite what President Trump says, our problems are not caused by other governments or workers in other countries. Instead, they are the result of the logic of capitalism. President Trump, really no US administration, is going to willingly challenge that. That is up to us.

The China Missile Crisis of 2018?

Posted by [Rajan Menon](#) at 5:11pm, February 12, 2017.

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Consider it an irony or simply a reality of our moment, but these days Donald (“America First”) Trump is looking ever less like an old-fashioned, pre-World War II isolationist. In a mere three-plus weeks in office, he’s managed to mix it up royally with much of the rest of the planet. He threatened to send American troops into Mexico (hey, it was a joke, just [lighthearted banter](#)!); he insulted the Prime Minister of Australia by shouting at and hanging up on him (“[fatigue was setting in](#)” and anyway maybe he thought it was Austria!); he [threatened](#) Iran with everything but the kitchen sink (which he evidently [couldn’t find](#) in the new, under-inhabited White House); he [insulted](#) Iraq by banning its citizens from visiting the land that had invaded and occupied them and essentially dynamited their country; he [insulted](#) German Prime Minister Angela Merkel for her handling of the refugee crisis and may still be playing with the idea of appointing an ambassador to the European Union who would [like to see](#) it go the way of the old Soviet Union. He put in place the Muslim ban that [wasn’t a ban](#) on immigrants and visitors from seven largely Muslim lands -- before an obviously Islam-loving [so-called judge](#) in San Francisco (natch!) temporarily banned it. After being [played](#) like a fiddle by military officials who told him that President Obama would never have had the guts to order such a raid -- great presidential button-pushing, guys! -- he green-lighted a disastrous Special Operations mission in Yemen in which the raiders [didn’t get](#) their guy (but did get a [long available](#) terror video), while one American and up to [30](#) civilians, including children, died. (The Yemeni government, possibly also angered by being put on Trump’s list of banned countries, has now [banned](#) such raids in its country, or [not](#).) And to give Trump total credit, he staunchly defended the honor of the American people, as he had always promised he would. When Bill O’Reilly, in a pre-Super Bowl interview, called Russian President Vladimir Putin a “killer” without offering a single kind, offsetting word of praise for the United States, the president promptly insisted that the Russians had no monopoly on killers in high places, not on an America First planet. He [shot back](#): “There are a lot of killers. You think our country’s so innocent?” Exactly, Donald. We kill with the best of them!

According to recent research by the Global Impact Institute (GII), in his first 21 days in office, President Trump only missed messing with 13 of the 190-plus nations on the planet, an oversight he’s undoubtedly planning to rectify in week four. (Okay, okay, the GII only operates inside my brain, but take my word for it, it’s no less accurate for that.) And the president has obviously been saving the best for last, despite a recent [molifying gesture](#). I’m talking, of course, about that ominously rising power, China. No other country offers such a mix-it-up opportunity for global economic chaos, outright war, and future Armageddon. But let [TomDispatch regular](#) Rajan Menon, author of [The Conceit of Humanitarian Intervention](#), fill in the details on a country that gives Trump the chance to replay a reel of best of John F.

Kennedy moments from the Bay of Pigs to the [Cuban Missile Crisis](#) -- and believe you me, if Donald Trump had been there, Cuba might not have been. *Tom*

Is President Trump Headed for a War with China?

All Options Are “On The Table”

By [Rajan Menon](#)

Forget those “[bad hombres](#) down there” in Mexico that U.S. troops might take out. Ignore the way National Security Adviser Michael Flynn put Iran “[on notice](#)” and the new president [insisted](#), that, when it comes to that country, “nothing is off the table.” Instead, focus for a moment on something truly scary: the possibility that Donald Trump’s Washington might slide into an actual war with the planet’s rising superpower, China. No kidding. It could really happen.

Let’s start with silver-maned, stately Rex Tillerson, Donald Trump’s pick for secretary of state. Who could deny that the former ExxonMobil CEO has a foreign minister’s bearing? Trump [reportedly](#) chose him over neocon firebrand John Bolton partly for that reason. (Among other things, Bolton was mustachioed, something the new president apparently [doesn’t](#) care for.) But an august persona can only do so much; it can’t offset a lack of professional diplomatic experience.

That became all-too-apparent during Tillerson’s January 11th confirmation hearing before the Senate Foreign Relations Committee. He was asked for his view on the military infrastructure China has been creating on various islands in the South China Sea, the ownership of which other Asian countries, including Taiwan, the Philippines, Vietnam, Malaysia, and Brunei claim as well. China’s actions, he [replied](#), were “extremely worrisome,” likening them to Russia’s annexation of Ukraine’s Crimean peninsula, an infraction for which Russia was slapped with economic sanctions.

The then-secretary-of-state-designate -- he’s since been confirmed, despite many negative votes -- didn’t, however, stop there. Evidently, he wanted to communicate to the Chinese leadership in Beijing that the new administration was already irked beyond measure with them. So he added, “We’re going to have to send China’s leaders a clear signal: that, first, the island building stops and, second, your access to those islands is not going to be allowed.” Functionally, that fell little short of being an announcement of a future act of war, since not allowing “access” to those islands would clearly involve military moves. In what amounted to a there’s-a-new-sheriff-in-town warning, he then doubled down yet again, insisting, slightly incoherently (in the tradition of his new boss) that “the failure of a response has allowed them to just keep pushing the envelope on this.”

All right, so maybe a novice had a bad day. Maybe the secretary-of-state-to-be simply ad-libbed and misspoke... whatever. If so, you might have expected a later clarification from him or from someone on the Trump national security team anyway.

That didn't happen; instead, that team stuck to its guns. White House Press Secretary Sean Spicer made no effort to add nuance to, let alone walk back, Tillerson's remarks. During his first official press briefing on January 23rd, Spicer [declared](#) that the United States "is going to make sure we defend our interests there" -- in the South China Sea, that is -- and that "if those islands are in fact in international waters and not part of China proper, then yes, we are going to make sure that we defend international territories from being taken over by one country."

And what of Trump's own views on the island controversy? Never one to pass up an opportunity for hyperbole, during the presidential campaign he [swore](#) that, on those tiny islands, China was building "a military fortress the likes of which the world has not seen." As it happened, he wasn't speaking about, say, the forces that Hitler massed for the ill-fated Operation Barbarossa, launched in June 1941 with the aim of crushing the Red Army and the Soviet Union, or those deployed for the June 1944 Normandy landing, which sealed Nazi Germany's fate. When applied to what China has been up to in the South China Sea, his statement fell instantly into the not-yet-named category of "alternative facts."

Candidate Trump also let it be known that he wouldn't allow Beijing to get away with such cheekiness on his watch. Why had the Chinese engaged in military construction on the islands? Trump had a simple answer (as he invariably does): China "has no respect for our president and no respect for our country." The implication was evident. Things would be different once he settled into the White House and made America great again. Then -- it was easy enough to conclude -- China had better watch out.

Standard campaign bombast? Well, Trump hasn't changed his tune a bit since being elected. On December 4th, using (of course!) his [Twitter](#) account, he blasted Beijing for having built "a massive military complex in the middle of the South China Sea." And it's safe to assume that he signed off on Spicer's combative comments as well.

In short, his administration has already drawn a red line -- but in the way a petulant child might with a crayon. During and after the campaign he made much of his determination to regain the respect he claims the U.S. has lost in the world, notably from adversaries like China. The danger here is that, in dealing with that country, Trump could, as is typical, make it all about himself, all about "winning," one of his most beloved words, and disaster might follow.

Whose Islands?

A military clash between Trump-led America and a China led by President Xi Jinping? Understanding how it might happen requires a brief detour to the place where it's most likely to occur: the South China Sea. Our first task: to understand China's position on that body of water and the islands it contains, as well as the nature of Beijing's military projects there. So brace yourself for some necessary detail.

As Marina Tsirbas, a former diplomat now at the Australian National University's National Security College, [explains](#), Beijing's written and verbal statements on the South China Sea lend themselves to two different interpretations. The Chinese government's position boils down to something like this: "We own everything -- the waters, islands and reefs, marine resources, and energy and mineral deposits -- within the Nine-Dash Line." That [demarcation line](#), which incidentally has had [ten](#) dashes, and sometimes eleven, originally appeared in 1947 maps of the Republic of China, the Nationalist government that would soon flee to the island of Taiwan leaving the Chinese Communists in charge of the mainland. When Mao Ze Dong and his associates established the People's Republic, they retained that Nationalist map and the demarcation line that went with it, which just happened to [enclose virtually all](#) of the South China Sea, claiming sovereign rights.

This stance -- think of it as Beijing's hard line on the subject -- raises instant questions about other countries' navigation and overflight rights through that much-used region. In essence, do they have any and, if so, will Beijing alone be the one to define what those are? And will those definitions start to change as China becomes ever more powerful? These are hardly trivial concerns, given that about [\\$5 trillion](#) worth of goods pass through the South China Sea annually.

Then there's what might be called Beijing's softer line, based on rights accorded by the legal concepts of the [territorial sea](#) and the Exclusive Economic Zone (EEZ). Under the U.N. Convention on the Law of the Sea (UNCLOS), which took effect in 1994 and has been signed by 167 states (including China but not the United States), a country has sovereign control within 12 nautical miles of its coast as well as of land formations in that perimeter visible at high tide. But other countries have the right of "innocent passage." The EEZ goes further. It provides a rightful claimant control over access to fishing, as well as seabed and subsoil natural resources, within "an area beyond and adjacent to the territorial sea" extending 200 nautical miles, while ensuring other states' freedom of passage by air and sea. [UNCLOS](#) also gives a state with an EEZ control over "the establishment and use of artificial islands, installations, and structures" within that zone -- an important provision at our present moment.

What makes all of this so much more complicated is that many of the islands and reefs in the South China Sea that provide the basis for defining China's EEZ are also claimed by other countries under the terms of UNCLOS. That, of course, immediately raises questions about the legality of Beijing's military construction [projects](#) in that watery expanse on islands, atolls, and strips of land it's dredging into existence, as well as its claims to seabed energy resources, fishing rights, and land reclamation rights there -- to say nothing about its willingness to seize some of them by force, rival claims be damned.

Moreover, figuring out which of these two positions -- hard or soft -- China embraces at any moment is tricky indeed. Beijing, for instance, insists that it upholds freedom of navigation and overflight rights in the Sea, but it has also [said](#) that these rights don't apply to warships and military aircraft. In recent years its warplanes have [intercepted](#), and at close quarters, American military aircraft flying outside Chinese territorial waters in the same region. Similarly, in [2015](#), Chinese aircraft and ships followed and issued warnings to an

American warship off [Subi Reef](#) in the Spratly Islands, which both China and Vietnam claim in their entirety. This past December, its Navy seized, but later returned, an underwater drone the American naval ship *Bowditch* had been operating near the coast of the Philippines.

There were similar incidents in 2000, 2001, 2002, 2009, 2013, and 2014. In the second of these episodes, a Chinese fighter jet [collided](#) with a US Navy EP-3 reconnaissance plane, which had a crew of 24 on board, less than 70 miles off Hainan island, forcing it to make an emergency landing in China and creating a tense standoff between Beijing and Washington. The Chinese detained the crew for 11 days. They disassembled the EP-3, returning it three months later in pieces.

Such muscle flexing in the South China Sea isn't new. China has long been tough on its weaker neighbors in those waters. Back in [1974](#), for instance, its forces ejected South Vietnamese troops from parts of the Paracel/Xisha islands that Beijing claimed but did not yet control. China has also backed up its claim to the Spratly/Nansha islands (which Taiwan, Vietnam, and other regional countries reject) with air and naval patrols, tough talk, and more. In [1988](#), it forcibly occupied the Vietnamese-controlled Johnson Reef, securing control over the first of what would eventually become seven possessions in the Spratlys.

Vietnam has not been the only Southeast Asian country to receive such rough treatment. China and the Philippines both claim ownership of Panatag (Scarborough) Shoal/Huangyang Island, [located](#) 124 nautical miles off Luzon Island in the Philippines. In 2012, Beijing simply [seized](#) it, having already ejected Manila from Panganiban Reef (aka Mischief Reef), about 129 nautical miles from the Philippines' Palawan Island, in [1995](#). In 2016, when an international arbitration tribunal [upheld](#) Manila's position on Mischief Reef and Scarborough Shoal, the Chinese Foreign Ministry [sniffed](#) that "the decision is invalid and has no binding force." Chinese president Xi Jinping [added](#) for good measure that China's claims to the South China Sea stretched back to "ancient times."

Then there's China's military [construction](#) work in the area, which includes the building of full-scale artificial islands, as well as harbors, military airfields, storage facilities, and hangars reinforced to protect military aircraft. In addition, the Chinese have installed radar systems, anti-aircraft missiles, and anti-missile defense systems on some of these islands.

These, then, are the projects that the Trump administration says it will stop. But China's conduct in the South China Sea leaves little doubt about its determination to hold onto what it has and continue its activities. The Chinese leadership has made this [clear](#) since Donald Trump's election, and the state-run press has struck a similarly defiant note, drawing crude red lines of its own. For example, the *Global Times*, a nationalist newspaper, [mocked](#) Trump's pretensions and issued a doomsday warning: "The U.S. has no absolute power to dominate the South China Sea. Tillerson had better bone up on nuclear strategies if he wants to force a big nuclear power to withdraw from its own territories."

Were the administration to follow its threatening talk with military action, the *Global Times* added ominously, "The two sides had better prepare for a military clash." Although the Chinese leadership hasn't been anywhere near as bombastic, top officials have made it clear

that they won't yield an inch on the South China Sea, that disputes over territories are matters for China and its neighbors to settle, and that Washington had best [butt out](#).

True, as the acolytes of a "unipolar" world remind us, China's military spending amounts to barely more than a [quarter](#) of Washington's and U.S. naval and air forces are far more [advanced](#) and lethal than their Chinese equivalents. However, although there certainly is a debate about the legal validity and historical accuracy of China's territorial claims, given the increasingly acrimonious relationship between Washington and Beijing the more strategically salient point may be that these territories, thousands of miles from the U.S. mainland, mean so much more to China than they do to the United States. By now, they are inextricably bound up with its national identity and pride, and with powerful historical and nationalistic memories -- with, that is, a sense that, after nearly two centuries of humiliation at the hands of the West, China is now a rising global power that can no longer be pushed around.

Behind such sentiments lies steel. By buying some [\\$30 billion](#) in advanced Russian armaments since the early 1990s and developing the capacity to build advanced weaponry of its own, China has methodically acquired the military means, and devised a [strategy](#), to inflict serious losses on the American navy in any clash in the South China Sea, where geography serves as its ally. Beijing may, in the end, lose a showdown there, but rest assured that it would exact a heavy price before that. What sort of "victory" would that be?

If the fighting starts, it will be tough for the presidents of either country to back down. Xi Jinping, like Trump, presents himself as a [tough guy](#), sure to trounce his enemies at home and abroad. Retaining that image requires that he not bend when it comes to defending China's land and honor. He faces another problem as well. Nationalism long ago sidelined Maoism in his country. As a result, were he and his colleagues to appear pusillanimous in the face of a Trumpian challenge, they would risk losing their legitimacy and potentially bringing their people onto the streets (something that can happen quickly in the age of social media). That's a particularly forbidding thought in what is arguably the [most rebellious](#) land in the historical record. In such circumstances, the leadership's abiding conviction that it can calibrate the public's nationalism to serve the Communist Party's purposes without letting it get out of hand may prove delusional.

Certainly, the Party understands the danger that runaway nationalism could pose to its authority. Its paper, the *People's Daily*, condemned the "[irrational patriotism](#)" that manifested itself in social media forums and street protests after the recent international tribunal's verdict favoring the Philippines. And that's hardly the first time a foreign policy fracas has excited public passions. Think, for example, of the anti-Japanese demonstrations that swept the country in 2005, provoked by Japanese school textbooks that sanitized that country's World War II-era atrocities in China. Those protests spread to [many cities](#), and the numbers were sizeable with more than [10,000](#) angry demonstrators on the streets of Shanghai alone. At first, the leadership encouraged the rallies, but it got nervous as things started to spin out of control.

"We're Going to War in the South China Sea..."

Facing off against China, President Trump could find himself in a similar predicament, having so emphasized his toughness, his determination to regain America's lost respect and make the country great again. The bigger problem, however, will undoubtedly be his own narcissism and his obsession with winning, not to mention his inability to resist sending incendiary messages via Twitter. Just try to imagine for a moment how a president who blows his stack during a getting-to-know-you [phone call](#) with the prime minister of Australia, a close ally, is likely to conduct himself in a confrontation with a country he's labeled a prime adversary.

In the event of a military crisis between China and the United States, neither side may want an escalation, to say nothing of a nuclear war. Yet Trump's threats to impose [45%](#) tariffs on Chinese exports to the U.S. and his repeated condemnation of China as a "[currency manipulator](#)" and [stealer](#) of American jobs have already produced a poisonous atmosphere between the world's two most powerful countries. And it was made worse by his December phone [conversation](#) with Taiwan's president, Tsai Ing-wen, which created [doubts](#) about his commitment to the One China policy the United States has adhered to since 1972. The Chinese authorities apparently made it clear to the White House that there couldn't even be a first-time phone call to Xi unless the new president agreed to stick with that policy. During a conversation with the Chinese president on February 9th, Trump [reportedly](#) provided that essential assurance. Given the new American president's volatility, however, Beijing will be playing close attention to his words and actions, even his symbolic ones, related to Taiwan.

Sooner or later, if Trump doesn't also dial down the rest of his rhetoric on China, its leaders will surely ratchet up theirs, thereby aggravating the situation further. So far, they've restrained themselves in order to figure Trump out -- not an easy task even for Americans -- and in hopes that his present way of dealing with the world might be replaced with something more conventional and recognizable. Hope, as they say, springs eternal, but as of now, in repeatedly insisting that China must do as he says, Trump and his surrogates have inserted themselves and the country into a complicated territorial dispute far from America's shores. The hubris of Washington acting as the keeper of world order, but regularly breaking the rules as it wishes, whether by invading Iraq in 2003 or making open use of torture and a global network of secret prisons, is an aspect of American behavior long obvious to foreign powers. It looks to be the essence of Trumpism, too, even if its roots are old indeed.

Don't dismiss the importance of heated exchanges between Washington and Beijing in the wake of Trump's election. The political atmosphere between rival powers, especially those with massive arsenals, can matter a great deal when they face off in a crisis. Pernicious stereotypes and mutual mistrust only increase the odds that crucial information will be misinterpreted in the heat of the moment because of entrenched beliefs that are immune to contrary evidence, misperceptions, worst-case calculations, and up-the-ante reactions. In academic jargon, these constitute the ingredients for a classic [conflict spiral](#). In such a situation, events take control of leaders, producing outcomes that none of them sought. Not for nothing during the Cuban Missile Crisis of 1962 did President John Kennedy [look to](#) Barbara Tuchman's book, *Guns of August* -- a gripping account of how Europe slipped and slid into a disastrous world war in 1914.

There has been lots of anxiety about the malign effects that Donald Trump's temperament and beliefs could have domestically, and for good reason. But in domestic politics, institutions and laws, civic organizations, the press, and public protests can serve, however imperfectly, as countervailing forces. In international politics, crises can erupt suddenly and unfold rapidly -- and the checks on rash behavior by American presidents are much weaker. They have considerable leeway to use military force (having repeatedly circumvented the War Powers Act). They can manipulate public opinion from the Bully Pulpit and shape the flow of information. (Think back to the Iraq war.) Congress typically rallies reflexively around the flag during international crises. In such moments, citizens' criticism or mass protest invites charges of disloyalty.

This is why the brewing conflict in the South China Sea and rising animosities on both sides could produce something resembling a Cuban-Missile-Crisis-style situation -- with the United States lacking the geographical advantage this time around. If you think that a war between China and the United States couldn't possibly happen, you might have a point in ordinary times, which these distinctly aren't.

Take the latest news on Stephen Bannon, formerly the executive chairman of the alt-right publication *Breitbart News* and now President Trump's chief political strategist. He has even been granted the right to sit in on every meeting of the National Security Council and its [Principals Committee](#), the highest inter-agency forum for day-to-day national security deliberations. He will be privy to meetings that, according to a [directive](#) signed by Trump, even the chairman of the Joint Chiefs of Staff and the director of national intelligence may not join unless "issues pertaining to their responsibilities and expertise will be discussed." Calling this a break with past practice would be an understatement of the first order.

So Bannon's views, once of interest only to a fringe group of Americans, now matter greatly. Here's what he said last March about China in a radio [interview](#): "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."

Think of this as Bannon's version of apocalyptic prophecy. Then consider the volatility of the new president he advises. Then focus on the larger message: these are not ordinary times. Most Americans probably don't even know that there is a South China Sea. Count on one thing, though: they will soon.

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(“On Friday, the United States Pacific Command said that a Chinese aircraft and an American Navy patrol plane had had an “unsafe” encounter over the South China Sea,” but Trump “handed [China](#) a victory and sullied his reputation with its leader, [Xi Jinping](#), as a tough negotiator who ought to be feared.” ... but Secretary of State Rex Tillerson had announced, “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,” and “Bannon, during a radio show hosted on the far-right website Breitbart in [March 2016](#), predicted the US would go to war in the South China Sea ‘in five to 10 years’.”)

Trump, Changing Course on Taiwan, Gives China an Upper Hand

By [JANE PERLEZ](#)

FEB. 10, 2017

BEIJING — By backing down in a [telephone call with China’s president](#) on his promise to review the status of Taiwan, President Trump may have averted a confrontation with America’s most powerful rival.

But in doing so, he handed [China](#) a victory and sullied his reputation with its leader, [Xi Jinping](#), as a tough negotiator who ought to be feared, analysts said.

“Trump lost his first fight with Xi and he will be looked at as a paper tiger,” said Shi Yinong, a professor of international relations at Renmin University of China, in Beijing, and an adviser to China’s State Council. “This will be interpreted in China as a great success, achieved by Xi’s approach of dealing with him.”

Mr. Trump’s reversal on Taiwan is likely to reinforce the views of those in China who see him as merely the latest American president to come into office talking tough on China, only to bend eventually to economic reality and adopt more cooperative policies. That could mean more difficult negotiations with Beijing on trade, North Korea and other issues.

At the same time, the Chinese leadership will view statements by Mr. Trump with even greater skepticism. “Even though Trump has said he will support the ‘One China’ policy, China cannot fully trust him,” said Yan Xuetong, dean of the school of international relations at Tsinghua University, in Beijing. “Even his own people don’t trust him.”

China’s official reaction to the telephone call, in which Mr. Trump affirmed that America would abide by the longstanding policy, was polite, even upbeat.

“The conversation was very cordial,” Lu Kang, the spokesman for the Foreign Ministry, said at a regular news briefing on Friday. “The One China principle is the political foundation of China-U.S. relations.”

Under that policy, the United States recognized a single Chinese government in Beijing and severed diplomatic ties with Taiwan.

American leadership was damaged by Mr. Trump staking out a position and then stepping back, said Hugh White, a professor of strategic studies at the Australian National University and the author of “The China Choice,” a book that argues that the United States should share power in the Pacific region with China.

“The Chinese will see him as weak,” Mr. White said of Mr. Trump. “He has reinforced the impression in Beijing that Trump is not serious about managing the U.S.-China relationship.”

Mr. Shi said that Beijing had chosen to remain firm and patient with Mr. Trump, and that approach had paid off.

Even though many other world leaders had spoken to the new American president by phone since his inauguration on Jan. 20, Mr. Xi had refused to talk to Mr. Trump until he was sure that the American president would give what turned out to be a concession — an affirmation of the One China policy, Mr. Shi said.

Mr. Trump put himself in a corner by questioning the status of Taiwan, an issue that the Chinese have regarded as nonnegotiable since President Jimmy Carter put the One China policy into effect in 1979, Mr. Shi added.

Some Chinese said Mr. Trump’s decision to walk back on the issue of Taiwan at least lowered the risk of conflict.

“If he agreed to the One China policy, that means there is no danger of direct war between China and the United States,” said Mr. Yan of Tsinghua University. “That fact is very positive.”

When Mr. Trump took [a precedent-shattering phone call](#) from President Tsai Ing-wen of Taiwan in early December, and said a few days later that he wanted to extract concessions from Beijing in return for keeping the One China policy, the Chinese government issued “ugly” statements saying it would not waver on the issue of Taiwan, Mr. Shi said.

[Those statements](#) came from the Foreign Ministry, which said that “it was out of the question” to negotiate and that the One China policy was “a core issue” that involved China’s sovereignty and territorial integrity.

In diplomatic parlance, that meant Taiwan was a rock-bottom issue that Beijing was prepared to fight over.

The tough statements were intended to recall the time in 1995 when China tested missiles near Taiwan, prompting President Bill Clinton to dispatch an aircraft carrier through the Taiwan Strait, near China’s coast.

China is militarily much stronger today, armed with far more advanced missiles and a more robust navy that includes one aircraft carrier, with more on the way.

The Chinese also decided to flatter Mr. Trump, Mr. Shi said. When the Trump administration started to make small steps to pave the way for the phone call with Mr. Xi, China was almost excessive in its response, a way of trying to reassure Washington without paying any price, Mr. Shi added.

So after Mr. Trump sent a letter to the Chinese Embassy in Washington this week, wishing the Chinese people a “prosperous Year of the Rooster,” Beijing responded that it was “very happy” to receive the president’s greetings.

The American secretary of state, Rex W. Tillerson, who had pledged to uphold the One China policy during his confirmation hearings, was at the White House on Thursday before the call, apparently pointing out the risks of Mr. Trump’s approach.

“The cost to the U.S. of refusing to recommit to the One China policy was very high, and Trump was persuaded,” said [Bonnie S. Glaser](#), director of the China Power Project at the Center for Strategic and International Studies in Washington.

In an unusual move, the state-run Chinese news agency Xinhua [posted on Twitter](#) a cheeky quiz on the possible reason Mr. Trump had changed his mind on the One China policy. Twitter is banned in China.

Xinhua gave four choices, giving prominent play to the options “blackmailing didn’t work” and “China’s unyielding stance,” and including the possibility that a visit by Ivanka Trump and her 5-year-old daughter, Arabella, to the Chinese Embassy’s New Year reception last week had played a role.

The tension between Washington and Beijing over Mr. Trump’s attitude toward Taiwan has reverberated around the Asia-Pacific region, where American allies have worried since the December phone call with Ms. Tsai that, in the extreme, there could be armed conflict over Taiwan.

On Friday, the United States Pacific Command said that a Chinese aircraft and an American Navy patrol plane had had an “unsafe” encounter over the South China Sea, The Associated Press reported. A spokesman said that the “interaction” between a Chinese KJ-200 early warning aircraft and a Navy P-3C plane took place on Wednesday in international airspace. The spokesman did not say what was unsafe about the encounter.

That Mr. Trump appears to have smoothed things out for the moment has brought relief, but it does not assuage concerns about future dealings between Mr. Xi and the American president.

Both the White House and the Chinese Foreign Ministry said that the two leaders wanted to strengthen cooperation. The White House statement said Beijing wanted to work with Washington on a number of issues, including trade.

Mr. Trump has threatened a trade war by raising the possibility of steep tariffs in response to what he portrays as China's predatory trade practices.

Neither side specified in their statements how they would cooperate, and doubts remained in the Asia-Pacific region about Mr. Trump's intentions on a variety of issues. China values predictability, and one phone call could not deliver that, analysts said.

"Trump isn't attached to any particular policy line with China or anyone else," said Peter Jennings, executive director of the Australian Strategic Policy Institute. "So 'working together' could also be dumped whenever it suits."

China plays down Steve Bannon's predictions of war with US

Wang Yi dismisses Trump strategist's comments, saying any 'sober-minded politician' would know both would lose out

The Guardian

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The Chinese foreign minister has taken a swipe at [Steve Bannon](#), Donald Trump's chief strategist, for predicting China and the US will eventually go to war.

He said any "sober-minded politician" would understand that both sides would lose from such a conflict.

China's foreign minister, Wang Yi, met the Australian foreign minister, Julie Bishop, in Canberra on Tuesday to discuss trade and security arrangements. In a press conference afterwards, he was asked if he was concerned about a possible war between China and the US, given the Trump administration has signalled it wants to take a stronger and more aggressive stance towards Beijing, and Bannon last year [predicted the two nations would go to war](#) over the South China Sea.

It emerged last week that Bannon, during a radio show hosted on the far-right website Breitbart in [March 2016](#), predicted the US would go to war in the South China Sea "in five to 10 years".

"There's no doubt about that," he said. "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."

Wang dismissed concerns of war on Tuesday, saying "irrational statements" had often been made about China-US relations in the last four decades. "But such statements aside, the China-US relationship has defied all kinds of difficulties and has been moving forward continuously," he said.

"Any sober-minded politician, they clearly recognise that there cannot be conflict between [China](#) and the United States because both will lose, and both sides cannot afford that."

He said what mattered were the comments from the [Trump administration](#), not the comments that members of the administration may have made in the past.

Rex Tillerson, during [his confirmation hearing](#) in January to become US secretary of state, said China should be barred from the artificial islands it had built in the South China Sea.

“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,” he said. “They are taking territory or control or declaring control of territories that are not rightfully China’s.”

His comments encouraged the former Australian prime minister Paul Keating to issue a public statement castigating Tillerson for warmongering.

“Tillerson’s claim that China’s control of access to the waters would be a threat to ‘the entire global economy’ is simply ludicrous,” [Keating said](#). “No country would be more badly affected than China if it moved to impede navigation.”

Tillerson was [confirmed as secretary of state last week](#).