

Prospects & Perspectives



The two countries set an ambitious deadline of 90 days to negotiate a broader trade deal. As of now, both sides remain far apart on such basic issues as market access, intellectual property theft, forced technology transfers, and trade policy, and there is no sign that either side will back down.

Picture source: 李學仁,《中國政府網》, <http://www.gov.cn/xinwen/2018-12/02/content_5345157.htm>.

Prospects for the US-China Relations— From Economic Conflict to Strategic Antagonism

By *Parris H. Chang*

The United States and the People's Republic of China (PRC) called a truce in their trade war on December 1 on the sidelines of the G20 meeting at Buenos Aires after President Donald Trump pulled back on new tariffs and Chairman Xi Jinping pledged to increase Chinese purchases of American products. In a significant concession, Trump will postpone a plan to raise tariffs on \$200 billion worth of Chinese goods from 10 percent to 25 percent on the first day of 2019, while Xi agreed to \$1.2 trillion purchases of American agricultural, energy, and industrial products.

The two countries set an ambitious deadline of 90 days to negotiate a broader trade deal. Trump issued a warning that, if they fail to come to terms by March 1, the existing tariff rate would be raised to 25 percent. As of now, both sides remain far apart on such basic issues as market access, intellectual property theft, forced technology transfers, and trade policy, and there is no sign that either side will back down.

Back in Washington, US officials have expressed a mixture of skepticism and optimism over whether China would honor its new commitments. None of the commitments were agreed to in writing and many specifics have yet to be worked out. Larry Kudlow, director of the National Economic Council, who held private meetings with China's Vice-Premier Liu He in Argentina, said US officials would monitor Chinese actions closely.

New York Times has quoted Michael Pillsbury, a China expert at the Hudson Institute as saying that Chinese officials have expressed anger about how the United States has been representing the meeting. He said that China does not acknowledge accusations of so-called "theft" of intellectual property and that it has not committed to a 90-day deadline. "They claim they've never done any of these things," he said "They can hardly agree to negotiations about them."

At a press briefing on December 4, a spokesman for the Chinese foreign ministry, Geng Shuan, did not address questions about what American officials have said was agreed to by both sides. Instead, he gave a diplomatic and vague statement that "the two sides reached consensus and agreed to stop levying additional tariffs."



Arrested Huawei Executive an Unexpected Controversy

Before the officials of the two nations can work on a mutually beneficial agreement, however, a contingent event, unbeknown to Trump and Xi, may sabotage the US-China trade negotiations and intensify mutual antagonism.

On December 1, Canadian police acting at the request of the US arrested Ms. Meng Wanzhou, a top executive of Huawei, China's flagship technology firm, as she changed planes in Vancouver. The US Justice Department has been investigating Ms. Meng's company, Huawei, on charges of violating sanctions on Iran. The US alleges that Huawei used a Hong Kong shell company called Skycom Tech Co. to sell equipment to Iran and that Meng and Huawei misled US banks about its dealings in Iran. Her arrest and possible extradition to stand trial in the US can be seen as a warning shot in the US campaign to curb the global spread of Chinese technology and, for Chairman Xi, an embarrassing loss of face as well.

Huawei and Ms. Meng, who is the elder daughter of its founder Ren Zhengfei, a former PLA (People's Liberation Army) engineer, are closely tied to Chinese security agencies and the PLA. The Trump administration has made considerable effort to block China's rise as a technological power, increasingly linking trade with national security. US officials are pressing other countries to not enter into deals with Huawei on developing fifth-generation (5G) wireless service networks. In October, two US Senators wrote Canadian Prime Minister Justin Trudeau to urge him to prevent Huawei from supplying equipment for Canada's 5G network. Recently, Australia, New Zealand, and Germany have banned Huawei and ZTE from providing such equipment; Japan and the United Kingdom will do so shortly.

China's Challenge to Pax Americana

US National Security Adviser John Bolton has vowed to further intensify the Trump administration's tough approach toward China. In a radio interview on the *Hugh Hewitt Show*, Bolton said that Beijing's "behavior needs to be adjusted in the trade area, in the international, military and political areas." Bolton said President Trump believed China has taken advantage of the international order for far too long and not enough people in the US have stood up to it. "Now's the time to do it," Bolton added.



For almost a decade, not a few Chinese officials have discussed the decline of the US and its policy implications. Their belief in relative American military decline and growing Chinese power in nuclear forces, cyber attack, and space weapons could have emboldened China's hegemony and audacious challenge to Pax Americana. The US has closely monitored China's military expansion in the Indo-Pacific region, militarization of the South China Sea, and the Belt and Road initiative to enhance China's global economic and political influence. The US pays special attention to Xi Jinping's "China Dream," a grand strategy to build a world-class combat force, capable of defeating the US and replacing it as the global superpower.

New US Strategy to Contain China Hegemony

It is in this context that the Trump administration unveiled the National Security Strategy (NSS) in December 2017, which defines China as America's principal threat and adversary and clearly reaffirms the US defense commitment to Taiwan under the Taiwan Relations Act. The NSS also states that "We (the US) will maintain a forward military presence capable of deterring and, if necessary, defeating any adversary. We will strengthen our long-standing military relationship and encourage the development of a strong defense network with our allies and partners."

The National Defense Strategy (NDS) published in January 2018 by the Pentagon is designed to deter Chinese military aggression and safeguard security in the region. The US has devised the Indo-Pacific regional strategy to forge a broad alliance/coalition of Asian democracies to contain and counter-balance China's expansion and aggression. President Tsai Ing-wen has pledged on several occasions that Taiwan is a dependable US regional security partner, and the US sees Taiwan as a beacon of democracy, freedom, and human rights in the region and as a worthy partner.

(Dr. Chang is Professor Emeritus, Political Science at Penn State University,
President, Taiwan Institute for Political, Economic and Strategic Studies)

Editor's Note: the views expressed in this publication are those of the authors and do not necessarily reflect the policy or the position of the Prospect Foundation.



***The Prospect Foundation** is an independent research institution dedicated to the study of cross-strait relations and international issues.*

The Foundation maintains active exchanges and communications with many think tanks of the world.

Prospect Foundation

No.1, Lane 60, Sec. 3, Tingzhou Rd., Zhongzheng District

Taipei City, 10087, Republic of China (Taiwan)

Tel: 886-2-23654366 Fax: 886-2-23679193

<http://www.pf.org.tw>

