

China Politics Weekly

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Dear friends and colleagues,

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All eyes on Trump

"There are people who wish I wouldn't refer to China as our enemy. But that's exactly what they are." (Donald Trump, November 2015)

"I'd love to have a trade war with China. Because if we did no business with China – frankly – we'll save a lot of money." (Donald Trump, November 2010)

We've done little China watching this week as we have been glued to developments in the US. From all reports, so are many a Chinese official, many of whom are anxiously trying to decipher tweets for hints as to what the next President's policies will be.

Trump has never been one for detail, so Chinese officials (and CPW) are still in the dark as to what exactly policy towards China will be. I've collected a clutch of relevant Trump statements on China and trade throughout the years; I share them with you below.

What is certain is that the *status quo* will be overturned, and the range of possible outcomes is vast. Trump has always promised a more confrontational posture towards China, whom he characterizes as an "enemy". Even before taking office, his comments on Taiwan, and those of Tillerson regarding the South China Sea have raised the risk of armed conflict with China.

Yet it's not impossible that Trump's actions could force both sides to abandon their respective policies of strategic ambiguity and come to a more explicit *modus vivendi* in the region. This would be a boon for stability and peace.

On the economic front, Trump's obsession with "beating" China (and Mexico and Japan [why is Germany never mentioned?]) could lead to a destabilizing trade war that throws the world into a global recession.

But it's also possible that Trump and China negotiate a further reduction in bilateral tariffs and market access that helps to spur growth in both countries. There are already rumors that liberal reformers in Beijing are

discussing ways to leverage Trump to push through tough domestic reforms in much the same way that Zhu Rongji used WTO accession to do the same around the turn of the century.

Given all this uncertainty, it's impossible to know what will happen. But it's certain that it will be interesting!

Don't forget about Xi

For all our recent focus on the Donald, Xi Jinping remains the most important figure in Chinese politics. He's already in Switzerland, and Tuesday will be making a speech at Davos. I doubt he will offer much more than the usual platitudes, but my fingers are crossed that he tries to steal a march on Trump and lay out a bold vision for the Chinese and global economies.

Donald Trump, in his own words

As promised, a collection of China-relevant statements throughout the years. I've highlighted some of my favorite bits....

From *The America We Deserve* (2000):

"Our biggest long-term challenge will be China... Chinese government leaders, though they concede little, desperately want us to invest in their country. Though we have the upper hand, we're way too eager to please the Chinese. We see them as a potential market and we tend to curry favor with them even at the expense of our own national interests. Our China policy under Presidents Clinton and Bush has been aimed at changing the Chinese regime by incentives both economic and political. The intention has been good, but it's clear to me that the Chinese have been getting far too easy a ride."

We have to make it absolutely clear that we're willing to trade with China, but not to trade away our principles, and that under no circumstances will we keep our markets open to countries that steal from us. If that means losing some big contracts to the French or Germans or whomever, so be it. American foreign policy needs to open the doors for American trade, and not the other way around. Principles and national self-interest here speak with the same voice. There are some things more important than profits, and one of them is our own national security. Let's make money in China, but let's do it the smart way.

"Our trade with China is more than just a little one-sided. China sells to the United States about four times what we're allowed to sell in Chinese markets."

"It's always this way with China. We give the Chinese regime everything they ask for in trade, technology, market access and cash reserves – and what we hold back they steal anyway. In exchange, a relatively few American corporations like Boeing, Hughes, and McDonnell Douglas, get to compete with Airbus Industrie and other European corporations in currying favour for Chinese contracts. But what's in it for the average American? Nothing – especially when our security is threatened!"

"I'm sick of always reading about outsourcing. Why aren't we talking about "onshoring"? We need to bring manufacturing jobs back home where they belong. Onshoring, or "repatriation," is a way for us to take back the jobs China is stealing. We know that China's wages are increasing. Also, China lacks certain natural resources that we have in abundance. If we exploit those two key facts, we can begin making the case to companies that they should bring their manufacturing facilities home to America.

"we should ...identify China for what it is: a growing military threat abroad and an oppressive regime at home."

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November 2010:

"I'd love to have a trade war with China. Because if we did no business with China – frankly – we'll save a lot of money."

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April 2011:

"I would tell China, very nicely, fellows, you are my friend, I like you very much. I've made a lot of money on China by the way, a lot of money with China. I would say we are going to put a 25 percent tax on all your products coming in, and that's going to do a number of things. Number one: as soon as they believe it's going to happen, they will behave so nicely, because it would destroy their economy,"

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June 2015:

"Our country is in serious trouble. We don't have victories anymore. We used to have victories, but we don't have them. When was the last time anybody saw us beating, let's say, China in a trade deal? They kill us. I beat China all the time. All the time."

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November 2015:

"There are people who wish I wouldn't refer to China as our enemy. But that's exactly what they are. They have destroyed entire industries by utilizing low-wage workers, cost us tens of thousands of jobs, spied on our businesses, stolen our technology, and have manipulated and devalued their currency, which makes importing our goods more expensive--and sometimes, impossible."

I know from my own experience that this is a difficult problem. The Chinese are very savvy businesspeople, and they have great advantages over our manufacturers. I've had several Trump-brand products made there. Remember: The Chinese need us as much as we need them. Maybe even more."

"If you look at the way China in particular takes advantage of the US--it's through currency manipulation."

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March 2016:

"The 45% tariff is a threat. It was not a tax, it was a threat. It will be a tax if they don't behave. Take China as an example. I have many friends, great manufacturers, they want to go into China. They can't. China won't let them. We talk about free trade. It's not free trade; it's stupid trade. China dumps everything that they have over here. No tax, no anything. We can't get into China. The best manufacturers, when they get in, they have to pay a tremendous tax. The 45% is a threat that if they don't behave, we will tax you. It doesn't have to be 45, it could be less. But it has to be something because our country and our trade and our deals and most importantly our jobs are going to hell."

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June 2016:

"Probably we have 20 percent unemployment, not 5.6 percent. So I just think the country is doing terribly. We're ripped off by everybody, every country, including China, big league. Including Mexico...The biggest thing we have to do is new trade agreements. China is killing us, Mexico is killing us, Japan is killing us. Everybody is beating us. We have incompetent people negotiating trade. We are losing money at every single step. We don't make good deals anymore."

Trump in his own tweets

January 2, 2017

China has been taking out massive amounts of money & wealth from the U.S. in totally one-sided trade

December 4, 2016	Did China ask us if it was OK to devalue their currency (making it hard for our companies to compete), heavily tax our products going into their country (the U.S. doesn't tax them) or to build a massive military complex in the middle of the South China Sea? I don't think so!
June 29, 2016	China, and many others, are taking advantage of U.S. with our terrible trade pacts
June 21, 2016	Hillary Clinton surged the trade deficit with China 40% as Secretary of State, costing Americans millions of jobs.
January 5, 2016	Minimizing dependency on China is crucial. Only Trump talks about that
May 19, 2015	Our debt finances China's military. It's time to get tough -- we hold all the cards. Let's Make America Great Again!
April 28, 2015	The best social program, by far, is a JOB! Our jobs are being taken away from us by China and many other countries
April 25, 2015	@PennyPritzker Really important to cover currency manipulation in trade agreements - that's where China and others are beating us. Best! How do you take care of our people if you don't make anything? We don't make anything. We are rapidly losing our manufacturing to China etc.
October 13, 2014	Wow, China exports rise 15% in September. They are laughing at USA!
June 4, 2014	US trade deficit hit \$64B+ in April, 2 yr record high http://t.co/e5RuDJxexp We must do better. China is ripping us. Bring the jobs home!
February 28, 2014	China has just intervened to lower the yuan- in other words, they will continue to screw the U.S.!
June 24, 2013	Our debt is about to top \$17T. ObamaCare and China (& others) are killing American business.
June 18, 2013	Snowden is sitting in China and taunting the U.S. He is mocking us as a Country. Great time to place a tax on China trade if not turned over

PBSC Week in Review

Xi Jinping

Party General
Secretary; PRC
President;
Chairman of
Central Military
Commission

- Jan 15** **Xi traveled to Switzerland.**
He will pay a state visit and attend the World Economic Forum Annual Meeting in Davos. He will also visit the United Nations Office at Geneva, the WHO and the IOC.
- Jan 13** **Xi attended a performance held for veterans and ex-officers and extended Spring Festival greetings to military veterans.**
Xi published a signed article in Swiss newspaper Neue Zurcher.
Full text of the article (in English).
Full text of the article (in Chinese).
Xi responded to a letter from a daughter of Uighur patriot Kurban Tulum.
Full text of his letter (in Chinese).
- Jan 12** **Xi held talks with the General Secretary of the Vietnam Communist Party Central Committee Nguyen Phu Trong.**

Xi sent a written instruction to a central conference on political and legal work.

Jan 10 Xi chaired a meeting of the Politburo.
The meeting heard reports of the leading party groups of the Standing Committee of the NPC, the State Council, the CPPCC, the Supreme People's Court and the Supreme People's Procuratorate, and also head a report of the Secretariat of the CPC Central Committee.

Jan 9 Xi met with Zimbabwean President Robert Mugabe.

Xi presented awards to scientists at the National Science and Technology Award Conference.

Li Keqiang
Premier

Jan 13 Li met with General Secretary of the Communist Party of Vietnam Central Committee Nguyen Phu Trong.

Jan 11 Li chaired an executive meeting of the State Council.
The meeting decided to promote regional equity markets and expand financing channels for SMEs, promote standard law enforcement of urban management officers, and promote education for people with disabilities and ensure their right to education.

Jan 9 Li spoke at the National Science and Technology Award Conference.
Full text of his speech (in Chinese).

Zhang Dejiang
Chair of the National People's Congress

Jan 13 Zhang met with General Secretary of the Communist Party of Vietnam Central Committee Nguyen Phu Trong.

Jan 11 Zhang met with a delegation of Japan's lower house of parliament.

Jan 9 Zhang spoke at and chaired a meeting of the leading Party group of the Standing Committee of the NPC.
Vowed to deepen the clean governance drive and anti-graft fight.

Zhang held talks with President of Chamber of Representatives of Uruguay's National Congress Gerardo Amarilla.

Yu Zhengsheng
Chair of the Chinese People's Political Consultative Conference

Jan 13 Yu met with General Secretary of the Communist Party of Vietnam Central Committee Nguyen Phu Trong.

Yu attended a symposium commemorating the 100th anniversary of the birth of Wang Renzhong.
He also met with Wang's family members.

	Jan 12	Yu chaired a bi-weekly consultation session of the CPPCC. <i>The session focused on the protection and promotion of Chinese time-honored brands.</i>
	Jan 11	Yu chaired and spoke at a meeting of the leading Party group of the National Committee of the CPPCC. <i>The National Committee of the CPPCC pledged continuous advancement of the anti-graft campaign and studied Xi's speech at the CCDI plenum.</i>
	Jan 9	Yu met with delegates to a forum attended by social organizations of Taiwan compatriots. Yu met with President of Chamber of Representatives of Uruguay's National Congress Gerardo Amarilla. Yu attended a Spring Festival reception for widows of luminaries and national political advisors who were not members of the CCP.
Liu Yunshan <i>Head of Party Secretariat; Head of Propaganda</i>	Jan 11	Liu presented diplomas at a graduation ceremony at the Central Party School.
	Jan 9	Liu presented awards to scientists at the National Science and Technology Award Conference.
Wang Qishan <i>Secretary of the Central Commission for Discipline Inspection</i>	Jan 13	Wang met with General Secretary of the Vietnam Communist Party Central Committee Nguyen Phu Trong.
Zhang Gaoli <i>Executive Vice Premier</i>	Jan 9	Zhang presented awards at the National Science and Technology Award Conference.

About CPW

China Politics Weekly aims to keep business leaders, investors, diplomats, scholars and other China hands up to date on important trends in China. It is produced by Trey McArver, a London-based consultant providing advice and intelligence to firms and investors engaged in China and the region. You can find out more about Trey and CPW in [this interview](#).

Want to help? Please tell us how we can make this newsletter more useful to you. Feedback on both form and content are always welcome, as are suggestions for topics to be covered. Please contact us at info@chinapoliticsweekly.com. We look forward to hearing from you.

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