

# An Unpredictable President and US-China Relations

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# A Trump Presidency and US-China Relations

- Ambivalence of security alliances in the region might unwind the work of the Biden administration
- Will there be tension between Trump's deal-making approach and the strategic intentions of key appointees and think-tanks?
  - Rubio-Secretary of State
  - Waltz- National Security advisor
  - Stefanik- Ambassador to the UN
  - Lutnick- Commerce Secretary
- Proposals from supporters have been fairly consistent since the first administration and, if anything, have toughened (Pillsbury, Navarro, Heritage Foundation etc.)

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- Some continuity with the Blackwell and Tellis report mentioned earlier and a recent Heritage Foundation report, but there are significant differences
- Both agree that the shift to balancing the rise of Chinese power is crucial and a move away from assisting with its ascendancy—now seen as a given for any policy
- Both propose “revitalizing the US economy” and strengthening the US military
- Heritage proposes reversing the “explosion” in business regulation
- Both agree on a tougher technology control regime
- While both write of the need to enhance regional stability: B and T are specific but Heritage is less so

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- Differences indicating the evolution of Republican approach
  - Heritage calls for the limited use of tariffs and non-tariff barriers
  - More explicit of “reshoring”, restricting outbound investment, expanding export controls
  - Rejects the transition to green technologies—as these are dominated by China
  - Stronger views about Taiwan
- Possible tensions with the business community about how far decoupling can go
- 1) Role of tariffs (60%)
  - Key question: is the intention to use them as a negotiating tactic to get a Phase Two Trade Deal or to damage further China’s growth prospects as some advisors seem to prefer
  - Bi-partisan congressional committee has called for ending Permanent Normal Trading Status
  - Major blow to Chinese strategy as exports play a major role
- China dealt with Trump one tariffs reasonably well
- Oxford Analytics calculates 60% tariff would reduce trade with the US by up to 70%
- UBS calculates such tariffs will reduce economic growth by around 1.5%

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- 2) Taiwan
- Advisors see support as crucial: Waltz, Trump will maintain “strategic ambiguity” and prevent conflict by demonstrating US strength
- Supportive think-tanks see support both for its own sake but also to protect US interests in the Pacific: upgrade arming, deepen economic ties, negotiate a free trade agreement, enhance regional stability
- Trump (WSJ, 10/24/2024) would respond to an invasion of Taiwan by raising tariffs to 200% and rupturing trade, rendering military force unnecessary
- Yet, he has expressed ambivalence, seeming skeptical about its value to the US
  - Called on Taiwan to contribute more for its defense (10% of GDP)
  - Accused Taiwan of stealing the US semiconductor business
  - Impose a tariff on chips from Taiwan

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- 3) “small yards, high fences” will get bigger and taller, with much enhanced controls on the technologies of the future
- Was evident with the Biden October 2022 and 2023 regulations
- Will Trump use the pressure to force China to make specific change in industrial policy or to Challenge China’s viability more broadly?
- If the latter, Washington has other measures to adopt that would impact key industries in China
- Decoupling in the technology sphere will be pushed forward
  - Countries will be forced to choose whether they like it or not