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Trump, Globalization, and China

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EXECUTIVE SUMMARY: Donald Trump’s decision to abandon the Trans-Pacific Partnership (TPP) marks a fundamental change from Barack Obama’s priorities. It could also create a policy vacuum in Asia, as the US is no longer the driving force behind regional integration. China, which sees new opportunities in the American withdrawal, is attempting to foster its own integration schemes – but it remains unclear whether it will be able to replace the US as the world’s globalization leader.

The “America First” slogan was not mere pre-election rhetoric for Donald Trump. His consistent opposition to multilateral free trade deals and support for the introduction of tariffs on foreign products and services arguably signals [the beginning of a new era of protectionism](#) (indeed, a Brookings paper has called for a reevaluation of the future of globalization because Trump “[could reverse decades of global trends](#)”). Countries with large export surpluses with the US, such as China, Germany, and Mexico, have been at the epicenter of Trump’s criticism. Scenarios of trade wars have entered the political and media discourse.

President Trump prefers bilateral trade deals to open, multilateral ones. The first manifestation of this preference during his presidency was his abandonment of the Trans-Pacific Partnership (TPP). Trump had opposed the plan during his campaign and [signed a memorandum confirming withdrawal](#) only days after his inauguration.

This memorandum, which directly challenged Barack Obama’s pivot towards Asia, has sparked a flourishing debate on potential repercussions. Obama’s push for the TPP reflected his desire to boost free trade among US allies and possibly encircle China at the economic level. Trump’s withdrawal runs counter to that strategy.

Some leading media organizations accordingly anticipate benefits to accrue to China as a result of Trump's decision. *The Washington Post*, for instance, wrote that Trump gave "[China its first big win](#)." In the same vein, *Bloomberg* wrote that the withdrawal was a "[gift](#)" to Beijing. The *BBC* regarded the announcement as "[a great news day for China](#)."

China was certainly suspicious of the TPP. In its view, Obama's initiative was designed to facilitate [an American rebalancing to an Asia-Pacific strategy](#). The announcement of Trump's abandonment of the project was received by China's Ministry of Foreign Affairs with [comments on the importance of "open, transparent and win-win" free trade](#).

As a matter of principle, China is restraining its enthusiasm over Trump's foreign and economic policies. Beijing sees Trump as unpredictable, and is inclined in any case to analyze the TPP decision within the context of all his policies towards Asia.

[China had already started to develop its own agenda](#) prior to Trump's victory. This included the potential establishment of a Free Trade Area of the Asia-Pacific (FTAAP) as well as the Regional Comprehensive Economic Partnership (RCEP). The former encompasses the Asia-Pacific region and is discussed at the APEC level. The second, which is smaller in scale, is an element of China's response to the prospect of the TPP.

After the demise of the TPP, [several Asian economies are looking for alternatives](#). China's regional integration plans, particularly RCEP, could gain ground as a result. That said, some countries, such as [India](#), remain skeptical about China's motivations and trade practices. Others, like [Japan](#), are pushing for rules that came to fruition under Obama's plan.

The Chinese administration is looking with great interest [at how the remaining 11 TPP countries, which would like Washington to reconsider its decision, are attempting to revive the process without the US](#).

China is endeavoring to strengthen its international position by presenting itself as a guarantor of globalization and free trade and an opponent of protectionism. To that end, Chinese President Xi Jinping was the [keynote speaker](#) at the Davos World Economic Forum for the first time this year (though neither Obama, who was about to leave office, nor German Chancellor Angela Merkel was present).

On various occasions, Xi's Davos argument has been reiterated by Chinese officials. Recently, for example, Chinese Prime Minister Li Keqiang spoke at the

annual meeting of New Champions 2017, where he called economic globalization “[an irreversible trend](#).”

Trump’s advent marked not an abrupt change in the world economic order but the beginning of a complex, ambiguous phase that might be termed “[Easternization](#).” While the Chinese administration has a diplomatic preference for the word “responsibility” over the word “leadership,” it will likely assume a leadership role as it takes on more and more responsibilities.

For the time being, however, the Chinese administration is concentrating on risks rather than on opportunities. [In a recent essay](#), the Vice President of the China Institute of International Studies (CIIS), Xu Jian, analyzed why the new protectionism goes against his country’s interests. Beijing has evolved into an economic colossus that continues to [benefit from US-led globalization](#). It has no desire to change that status quo.

In the final analysis, the American departure from the TPP and the resulting policy vacuum in Asia will not automatically accrue benefits to China or make it the world’s new globalization leader. US values, despite their alleged fading in recent months, remain critical to the spreading of influence.

Furthermore, the evolution of bilateral Sino-American relations should catalyze developments. Trump may have softened his approach vis-à-vis China relative to his campaign position, but he can still put pressure on Beijing, and the consequences remain unknown.

[In mid-August, Trump signed a memorandum](#) asking the US Trade Representative, Ambassador Robert Lighthizer, to investigate China’s laws, policies, practices, and actions on intellectual property rights. That investigation could pave the way for sanctions against China, a prospect that [has roused the latter’s anger](#) to the point of [threatening retaliation](#). A delicate equilibrium will need to be found as globalization continues to be challenged.

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