

Book Review

Trump, Xi and the Making of the New Cold War

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How the Battle between Trump and Xi Threatens a New Cold War
By Bob Davis and Lingling Wei, *Superpower Showdown*
Harper Collins, New York, 2020

"Parts of America wanted a bully... People felt, 'We keep getting picked on and pushed around. I want the guy who punches back. I want the guy who punches first.'"

-Alex Shuford, Century Furniture CEO

As it is said, in retrospect everything becomes obvious. The authors Bob Davis and Ling Lingwei take us on a journey through the most controversial yet lively Trump administration through its trade imbroglio, leaving us pondering at the early phase of the coronavirus pandemic. From the book, it is evident that both the authors have not just professional but personal histories enmeshed with the rise of China, and an exceptional access to the highest echelons of power in both the US and China. The two *Wall Street Journal* reporters recount a vivid array of events, and personalities who shaped one of the most vehement trade wars in recent history and fundamentally altered the geopolitical landscape. The book makes one rethink on the irrationality paradigm of the Trump administration as perpetuated by the media, showing us a US president imbued with a mission, but a very seat-of-the-pants' approach to realizing it. Similarly, the book also makes us think deeper on reasons for resilience of Chinese Market Socialism, especially the understated capitalist trait of 'competition' among local governments to bag new development schemes in China.

The dusting off of old policy based on tariffs and trade acts in the US to unilaterally deal with China runs parallel to the hollowing out of US industry in its southeast and midwestern towns. The book chronicles Donald Trump's early flirtations with running for presidency that goes beyond his philanderer billionaire image. In 1987, shortly before he was

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to publish his autobiography, *The Art of the Deal*, Trump paid for a full-page ad in the *New York Times*, *Washington Post*, and *Boston Globe*. The ad was coupled with an appearance the same day, September 2, 1987, on the television show *Larry King Live* where he complained of countries that “laugh at us behind our backs because of our own stupidity.” Not long after, he used *The Oprah Winfrey Show* to say, “I do get tired of seeing this country get ripped off.” In the coming decades, Trump would find support and a variety of mentors to take his trade argument a step further. Do not blame Beijing for taking advantage of America, Trump said; blame the feckless American politicians who sold out their country. He would capitalize on this latent but growing employment frustrations missed completely by the mainstream, including a serious opioid addiction crisis in the country that had its roots in China.

The Clinton Assumption and the Corporate Interest

The authors spend a generous time on the Clinton administration whose strategic overview focussed on how the United States had a historic opportunity to transform China and the global economy by supporting China’s entry into the World Trade Organization. This view was endorsed by the hard-headed foreign policy realists of the time who foresaw China turning into a democracy as early as the second decade of the new millennium. Even the Chinese dissidents made a case for economic opening leading Beijing to potentially accept the rule of law. Yet it was truly the US corporate houses that drove this narrative as they saw China as a limitless goldmine that would have to be forfeited if US political bickering on human rights did not end. In the mid-1990s, Boeing formed what it called “the Rump Group” of ten major US exporters, including AT&T, AIG, Chrysler and General Electric, to push a “normalization initiative” for improved economic relations between the United States and China. Thus, the policy of tying China’s MFN (Most-Favoured-Nation) status to its record on human rights speedily transformed into PNTR (Permanent Normal Trading Relations).

It is ironic that on the other side of the Pacific, the Chinese political elite drew diametrically opposite conclusion as it figured that prosperity would actually strengthen support for the party’s rule and not lead to political liberty and democracy. The book makes attempts to explore the driving motives of the current leader Xi Jinping and his obsession with avoiding the fate of the Soviet Union. “Why did the Soviet Union disintegrate? Why did the Communist Party of the Soviet Union fall to pieces?” Xi had asked in January 2013. “An important reason was that their ideals and convictions wavered,” he said during an internal speech that was not carried by state media. In his erstwhile party positions in Fujian, Zhejiang, and Shanghai, Xi had built an international reputation of being pro-market and supportive of private sector. However, over the years, Xi had also seen the potential of

state-owned enterprises to transform into global behemoths. It convinced him that private-sector development would not be sufficient to transform China. He increasingly pressed for more self-reliance through state sponsored interventions.

Trump's New China Policy

Coming back to Trump's presidency, the authors explicate that Trump did not trust his mix of nationalist and globalist advisers to cut his greatest deal, and instead sent them all to negotiate with China. The president thought the Mnuchin wing (US Treasury Secretary Steven Mnuchin) was too soft and the Lighthizer-Navarro wing (comprising US Trade Representative Robert Lighthizer and Trump trade adviser Peter Navarro) too harsh. The authors very succinctly bring out how this constant contradiction between the Blue-Collar Trump and the Wall Street Trump that had to deliver on populist demands and the Dow Jones Industrial Average respectively, was primarily responsible for Trump's policy erraticism. The book notes how this mix of divisions in the US negotiating team also flummoxed the Chinese, who were not sure who was in charge and whether any concessions they might offer would be enough for the US president. In this background, we see how the initial Chinese proposal of a 40-40-20 deal (40 percent of US demands could be met right away, while another 40 percent could be discussed over time, and the remainder would be off-limits for negotiation) turned into a one-sided phased deal of agreements by the Americans. In the end on Jan 15, 2020, the Chinese ended up giving each of the US major players what they wanted most-- be it agricultural purchases, promises not to weaponize currency or enforcement clauses.

As the book highlights, the US Business Community showed unexpected solidarity with the Trump administration. Unlike earlier, the big three corporate trade groups-- The Business Roundtable, National Association of Manufacturers, and the US Chamber of Commerce-- continued to lobby for a pressure campaign to get China to make economic policy changes. They did not join a coalition of more than 150 trade groups --comprising farming associations, and manufacturing and retail organizations-- to protest the tariffs. However, even for them the dilemma remained on how to avoid their lobbying efforts reinforcing China's growing unpopularity as a political issue. American companies had grown weary of China's forced technology transfers and copycat companies that arose after they trained Chinese workers to match their required standards. Xi Jinping's increasing reliance on state-owned firms and government power also spooked American firms, as did a cybersecurity law in 2016 that required foreign firms in China to store sensitive data in the country and favour Chinese network equipment over foreign products. There was also growing apprehensions with the limitless and never-ending subsidies by Beijing to its state-

owned companies.

The Tech Challenge

However, according to the authors, it was Xi's "Made-in-China 2025" policy that triggered wide-ranging alarm and panic. China aimed to have 40 percent market share in its chosen high-tech markets by 2020 and 70 percent by 2025. The only way to accomplish that, according to foreign executives in China, was through massive subsidies and technology theft. The 2018 report on the 'Findings of the Investigation into China's Acts, Policies and Practices Related to Technology Transfer, Intellectual Property and Innovation' under US Section 301 of the Trade Act' mentions Beijing's "Made in China 2025" policy 114 times. The European Union Chamber of Commerce in China was among the first to issue a call to arms. The US Chamber of Commerce published a similar report two days after the EU Chamber, as a one-two punch to get Beijing's attention. Think tanks in Europe and the US also joined in. Thus, even when Beijing sought to tap its earlier support from American corporate leaders, they were warned that Trump isn't a conventional politician. "He wants a good relationship with China, but he'll use pressure tactics to get you to the table and make a deal... He's not making empty threats" said the Blackstone CEO, Stephen Schwarzman who would be an important interlocutor.

Along with the trade conflict, the authors explore a variety of interrelated issues from the relevance of NAFTA in countering China and its renegotiation, evolving discourse on economic issues especially tariffs in the US, alienating and courting of traditional US allies, the growing US contention with the WTO Arbitration system, to 5G, Huawei, decoupling of supply chains, etc. For Beijing, the timing of the trade truce was fortuitous. Within two weeks of the signing ceremony in the White House, China was in a panic over the spreading coronavirus. But they had found a breather from the recurrent economic pressure by the United States.

Despite its rich chronicling of US economic engagements and trade negotiations with China over different presidencies, the reader is left wanting more, especially on President Obama's tenure that among others completely ignored the strategic consequences of China's building of artificial islands in South China Sea. South China Sea today has become one of the foremost flashpoints between the US and China. It can also be reliably stated that the Trump playbook of tariffs and sanctions have assumed attention of policymakers worldwide. Even if Joe Biden wins the White House, one can expect the Democrats to use tariffs for their goals, including pressuring China and other nations over human rights, worker rights, and climate change.

The US rivalry with China is getting entrenched for a long haul. And despite the phase one trade deal, many contentious economic, financial, legal, and political issues remain to be settled between the two countries. With a growing bipartisan American consensus to rein in Chinese ambitions, the new US presidency will continue to witness a tumultuous relationship with China.