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The first meeting of Xi Jinping and Donald Trump: on the way towards cooperation?



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President of the People's Republic of China Xi Jinping and US President Donald J. Trump first met in person at the American President's golf club in Mar-a-Lago, Florida on 6th and 7th April, 2017. This event was significant not only because the representatives of the two strongest powers in the world held discussions but also because the slowly shaping Trump Administration and the Chinese party leadership that was transformed in October through the personal changes of the 19th Congress of the Chinese Communist Party can lay down the groundwork for the cooperation facilities of the two states in the following years.

The meeting points revealed to public

At the meeting held on 6th and 7th April, 2017 the two Presidents announced the following agreements:¹

- The relationship between the two countries should be built on mutual respect and cooperation; therefore, the parties agreed to establish a list including the areas that are prioritised with respect to the cooperation of the two countries.
- In order to mitigate the imbalances of the Chinese and American economic relations, China shall facilitate the US cattle import and the access of US corporations to the Chinese financial sector – transforming the currently valid Chinese regulation, according to which the insurance companies may not be in majority foreign ownership. Furthermore, the parties shall give a hundred days for themselves to find a solution to the commercial problems of the two countries.
- They expressed convergent views in the issue considered as two tension sources of the East and Southeast Asia Region: a nuclear free Korean peninsula and the demilitarisation of the South China Sea.
- A new cooperation mechanism has been announced, which, besides the diplomatic and security political dialogue, also launches a dialogue between the two parties in issues related to criminal investigation and cyber security as well as social and cultural affairs.

Preliminaries: Twitter diplomacy and new tensions

The meeting between the two Presidents was accompanied by strong media interest since in the heat of the US **presidential election** and then after **Trump's election** several events **severely burdened the relationship of the two countries**. The so-called **Twitter diplomacy**, which seems to be extremely strange and unpredictable for the leaders of the Chinese foreign policy, **made the two parties distrust each other entirely**.²

During the presidential campaign Trump **accused China of currency manipulation several times** in his Twitter messages, stating that the low RMB exchange rate – which is reflected by China's increasing foreign trade surplus – **ruins the US processing industry**.³ Owing to China's "fraudulent" behaviour, Trump threatened the Asian country **to impose 45% customs on products originating from China**.⁴ The US President's plan raised an enormous debate, in which some analysts adopted different points of view considering which party the planned measure would demand a larger sacrifice from.⁵ What is more, the Central Bank of China has made considerable sacrifices over the past year and a half on the account of its reserve currency in order to successfully stabilise the yuan exchange rate.⁶

The relationship of the two countries was further deteriorated **when Trump accepted the congratulatory phone call of Tsai Ing-Wen President of Taiwan**,⁷ which actually publicly questioned the "One China" Policy, a taboo topic in the China-US relations since the 1970s. Although the official Chinese response was given in a moderate tone,⁸ the state media reacted most vehemently to the violation of the "One China" policy, accusing the USA of a cold war mentality⁹, and – entirely differently from the rhetoric of the previous decades – bringing up the possibility of war, too.¹⁰

Preliminaries: inherited problems

Although **the relationship of the previous American President Barack Obama and Xi was relatively well-balanced** (e.g. the two parties met on more occasions than the previous Chinese and American Presidents from 1971), the media presented an excessively idealistic picture of its closeness.¹¹ **In fact, the Trump Administration inherited numerous unanswered questions and sources of tension from their predecessor.**

The **most significant difference of opinions has arisen regarding the Korean Peninsula**. Owing to the succession of **North Korean rocket experiments** (in February, March and April 2017), the US leadership decided not to tolerate the threats any longer, owing to its own and its **allies' (South Korea and Japan) security**. The USA rejects the negotiation solution suggested by China and tries to convince China to support the American ideas. However, the Chinese leadership is not willing to support an alternative that would overturn the status quo in the region. On the basis of this, Rex Tillerson **US Secretary of State's warning stating that he does not preclude the possibility of a military solution to the problem**¹² was received badly in China.¹³

From the viewpoint of Beijing, the US relations were severely damaged **when South Korea accepted the installation of the US rocket air defence system** (THAAD, Terminal High Altitude Area Defense) into the country **in July**, referring to the North-Korean nuclear threat.¹⁴ China accuses the US rocket defence system not to solve the problem; in its view, the actual purpose of the system is to weaken China's deterrent capacities.¹⁵

The issue of the South China Sea and China's attempts to build artificial islands still seem to imply a significant source of tension between the two parties, with no considerable progress made in the first three months of the Trump Administration either. Trump's plans to develop the naval forces into a fleet of 500

ships again can mean a positive change in the power relations of the region in the long term even at the best; however, several analysts are sceptical about the result.¹⁶

Mitigation of tensions?

Despite the above, after Trump's inauguration **the bilateral relations were rather orienting towards stabilisation.** In Trump and Xi's telephone call of 9th February, Trump stood up for the "One China" principle.¹⁷ After Rex Tillerson and Chinese Secretary of State Wang Yi's meeting in February and Tillerson's journey to Beijing in March, both the Chinese and the US analysts pointed out the mitigation of tensions.¹⁸ Although Trump stood up for the protection of the American industry several times after his election, the topic of issues restricting the Chinese export was pushed into the background more and more.

The **pragmatization of the US foreign policy toward China** is considerably affected by **the transformation of the staff leading the foreign affairs work.** Trump's son-in-law and advisor, the pragmatic Jared Kushner as well as Tillerson are more and more overshadowing the President's Senior Advisor Steve Bannon holding negative views of China as well as the Director of the National Trade Council Peter Navarro.¹⁹

Evaluating the meeting points revealed to public

Based on the information revealed publicly in relation to the meeting, only **moderate conclusions can be drawn.** Both parties were interested in **stabilising the relationship,**²⁰ so in the short term the most important consequence will probably be the **improvement of the relationship and better cooperation between the two countries.** Trump seems to fit into the line of US Presidents who tend to strongly criticise China in the presidential campaign but **select a more**

pragmatic attitude in the period of governance.

At the meeting the Chinese President - according to his similarly pragmatic policy - primarily focused on issues that **Trump could communicate towards his voters as a result.** All this perfectly corresponds to the objectives specified in the documents laying down the foreign policy principles of the Trump Administration, the ***America First Foreign Policy,***²¹ according to which in its bilateral relations the USA - contrary to its predecessor - does not build on a foreign policy specified along the values any longer but **realises an interest-based and practical foreign policy.** The agreements announced in order to **mitigate the imbalances** of the China-US economic relationships **obviously served this purpose.** Despite this **China's undertakings were rather moderate.**²² In the domestic insurance sector the domestic giant corporations such as Citic Securities, Ping An Insurance, China Life Insurance, etc. already dominate the market, so it can only be entered with considerable sacrifices. The American cattle, banned in China in 2003, has been more and more in demand, so the facilitation of import favours its own consumption interests at least as much as the US exporters. **In the next hundred days China is expected to announce further benefits** which may affect several areas including the car industry. China's foreign trade assets **would probably be mitigated with increasing US imports,**²³ although it is too early to visionize an agreement being similar to the Plaza Treaty (1985). Despite the experts' expectations, the **Chinese party has announced no considerable investments yet,**²⁴ even though it would strengthen Trump's

political base in the following period, so progress **can be expected in this field**, too.

On the basis of the meeting it can be stated that the Chinese leadership provided such a negotiating basis to the Americans along which the **Trump Administration can mitigate their former anti-China rhetoric with a relatively insignificant loss of image**. For this reason, the China-US meeting does not fit into Trump's early failures (from the entry ban through the attempt of amending the Health Care Act to the Merkel Meeting, etc.).

The **rocket attack launched against Syria** during Xi's visit was obviously a power demonstration **towards the American voters, too**. At the same time, the attack **was also an evident signal for China**, who was regarded as a supporter of the Assad Government in the Syrian Civil War. **The USA still feels strong enough to solve the conflicts even on its own, without China's assistance**. Also, the military strike clearly showed that the **USA still considers the military intervention as a possible solution for considerable international conflicts** like the ones in North Korea or at the South China Sea.²⁵ All this probably makes the Chinese leadership more careful concerning the deployment of its own military power. The **agreement accepted for North Korea and the South China Sea suggests that the two parties' standpoints did not approach each other**.

Nevertheless, the **rocket attack against the Syrian Government also had a positive reading for China**. The large anti-Chinese geopolitical coalition that has been visionized by several experts earlier and **one of whose pivots would have been the improving relationship of the USA and Russia**²⁶ – if there was any – **fell into oblivion once and for all**. What is more, the

Trump Administration seems to focus on the Near East Region again, which is favourable for the further consolidation of China.²⁷

Despite the Chinese benefits, **the bigger winner of the meeting is obviously China** because it **can avoid the possibility of a commercial war** threatening the further modernisation of its economy and raised in the presidential campaign. Although both parties would clearly be losers, the Chinese fear that it could block or slow down the modernisation program of the country. A **more practical approach of the US foreign policy suggests the Chinese leadership that China can obtain political benefits for certain economic favours and benefits: approval of the country's great power status**, and at the same time **the legitimacy of its political system**. These **purposes correspond to the "double guideline" (*liang ge yindao*) principle**, which was announced by Xi in February 2017 and **says that China should help the international community jointly establish a fair and reasonable world order and it should act as a beacon in order to jointly maintain the international security**.²⁸

In internal political terms, the approval of China as a great power and equal state by the US Government **would consolidate the image of Xi and the Communist Party in the public eye**, which is favourable before the 19th Congress of the Chinese Communist Party.²⁹

In parallel, in foreign political terms, it can provide **larger freedom of regional action and an increasing rule-setting role to the country**.³⁰ In this way, one can expect that China **will be able to continue squeezing the USA slowly out of East and Southeast Asia**. The meeting of the two Presidents **can further enhance the threat of the USA's regional allies that the two great**

powers will be able to cooperate or even agree over their heads. If the USA is ready to renounce even their support in return for economic benefits, all this will further decrease the trust in it, which has already started since one of the first decisions of the Trump Administration, the termination of the Trans-Pacific Partnership.³¹

In the long term, China is expected to continue rising and become a more and more important rule-setter in international policy. Supplemented with a more and more inward-looking USA, all this strengthens the multipolarization of the world.

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Notes

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