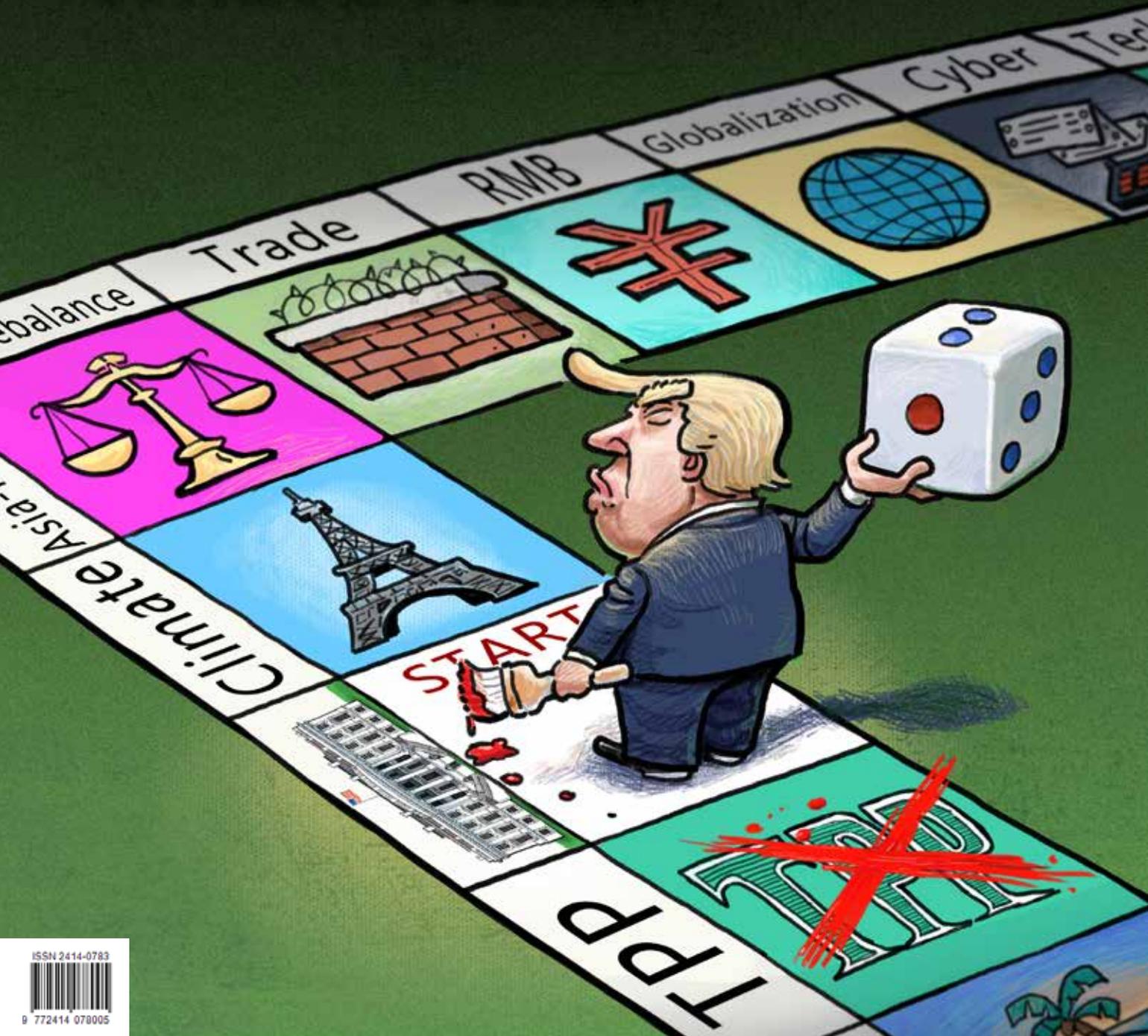


## What's Next?



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Alan Wong

**Editors**  
Zhang Ping  
Hong Chang

**Special Advisor**  
Zhu Yinghuang

**Assistant Editors**  
Peng Hui  
Chen Xingda

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## COVER STORY

### Strategic First Principles in U.S.-China Relations

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4

#### EDITOR'S NOTE

7

#### COVER STORY

### Strategic First Principles in U.S.-China Relations

David Lampton, Hyman Professor and Director of China Studies, Johns Hopkins-SAIS

11

#### CHINA-U.S. RELATIONS

### The 'Trumpquake' and U.S. Diplomacy

Cui Liru, Former President, China Institutes of Contemporary International Relations

15

### Strange but Familiar: a Cautious Look into Trump Diplomacy

Zhu Feng, Director, Institute of International Studies, Nanjing University

20

### The New Commander-In-Chief

Franz-Stefan Gady, Associate Editor, Diplomat



## CHINA-U.S. RELATIONS

### Strange but Familiar: a Cautious Look into Trump Diplomacy

While the president-elect's background might suggest a more commercial approach to world affairs, he is likely to preserve the US' unchallengeable military advantages and strategic dominance – including some form of the “Pivot to Asia”.



## GLOBALIZATION

### A Survival Guide to Interesting Times

Today, from American voters in an ugly U.S. election season to the rhetoric of newly elected Philippines President Duterte, we are hearing widespread anger against the governing structures of our time, against inequality and elitism. This sense of disempowerment is real and understandable. Our challenge, as individuals in this era of discontent, is to ensure that we can still come together to move forward and improve the lives of all.

25

### The ‘New Normal’ in China-U.S. Military Relations

Yao Yunzhu, Retired Major General, Chinese People's Liberation Army

## ECONOMY

29

### After the Death of TPP, What Happens Next?

Hugh Stephens, Senior Fellow, Asia Pacific Foundation of Canada

33

### Trump and U.S.-China Trade Tensions

Yukon Huang, Senior Associate, Carnegie Endowment

## ‘PIVOT TO CHINA’

38

### Is Duterte Really Separating from the U.S. in Favor of China?

Richard Javad Heydarian, author of “Asia's New Battlefield: US, China, and the Struggle for Western Pacific”

42

## GLOBALIZATION

### A Survival Guide to Interesting Times

Curtis S. Chin, Former U.S. Ambassador to Asian Development Bank

47

### ‘Make Globalization Great Again’

He Yafei, Former Vice Minister, State Council Office of Overseas Chinese Affairs



# Editor's Note

Zhang Ping

## Uncertainty, Continuity and Resilience

Trump won. Clinton conceded. Washington is moving on to usher in the Trump era with much bewilderment and unease.

A strong sense of uncertainty on the U.S.'s China policy is also palpable in the foreign-policy communities in both countries. The campaign rhetoric trashing China and calls to go tougher on China were expected yet disturbing. With a Trump win, it appears unclear what turn the ties between the two powers may take.

Trump has been called unpredictable, among many other things. While there are plenty of reasons to worry that some specific areas in bilateral ties, such as trade, might fall victim to a Trump presidency, it is unlikely the overall relationship will go south. Over the last three decades or so, the relationship has been resilient, defying key leadership changes and major domestic and international events in either country.

After Trump won, China's Xi Jinping moved swiftly to set the tone in dealing with the incoming Trump administration. During a congratulatory call to Trump, Xi pledged solid personal attention and urged continuity in China-U.S. ties. In return, Trump stated that the two nations will have "one of the strongest relationships" moving forward.

We are hopeful that Beijing and Washington will be able to foster a strong relationship going forward. There is no other way. With a steady, healthy and fruitful relationship, both countries win, and the world wins. As Focus contributor

David Lampton put it, "Elevating our shared strategic gaze to the global level will be difficult, but it is essential." The two nations have grown so interdependent that they have no choice but to cooperate, as Xi has wisely advised Trump.

At the very start of the new U.S. administration, both countries may need to push to remove any doubts over the relationship. They also need to build more robust connections on sub-nation (state and local government) levels, between civil societies and, most importantly, between our communities.

Continuity is both necessary and enabling. The pathway to past successes can be duplicated, including the U.S. and China joining hands in leading the fight against global warming and reducing the danger of nuclear weapons and curbing terrorism. Being competitive doesn't mean the two see each other as rivals. Beijing has been unequivocal in working together with the new Trump administration and focusing on areas where the two can cooperate and succeed together.

In spite of all the not-so-optimistic forecasts, we remain optimistic about a strong bilateral relationship that we believe stands a good chance of growing even more resilient. After all, China-U.S. ties have been expanding against all odds over the years.



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# Strategic First Principles in U.S.-China Relations

The relationship between the two countries is between two societies, not merely between governments or leaders, and that broad spectrum gives it long-term viability. Elevating our shared strategic gaze to the global level will be difficult, but it is essential.



**David Lampton**

*Hyman Professor and  
Director of China Studies,  
Johns Hopkins-SAIS*

*Two uneasily coexisting and somewhat contradictory impulses are discernible in the embryonic Trump Administration—an impulse to focus attention outside Asia and one to be more muscular in Asia.*

America has just concluded a grueling general election. The voters have spoken, but, not much productive, realistic, or enlightening was said about China policy during that marathon campaign, except to raise red flags about tariffs and trade arrangements, alliance management, and military strengthening. Two uneasily coexisting and somewhat contradictory impulses are discernible in the embryonic Trump Administration—an impulse to focus attention outside Asia and one to be more muscular in Asia. The U.S. national debate did not focus on the central questions our new executive and legislative branch officials must now address. For its part, Beijing is trying to understand the net impact of these impulses in Washington as it, too, engages in pulling and hauling about China's future domestic and foreign policy choices.

Long ago, Britain's Harold Macmillan reportedly was asked what blew even the steadiest ship of state off course as history unfolded. His perhaps apocryphal response was: "Events, my dear boy, events."

America's just-completed general election is just one such "Event," and we can be sure there will be others. The tectonic plates of the post-World War II order are shifting because of tumultuous domestic political developments in China, the United States, and around the world. The post-World War II free trade order is under pressure -- world merchandise trade shrank about 14 percent in 2015 and world commercial services trade was down by 6 percent. Some treaty arrangements in East Asia are fraying and President-elect Trump has emphasized his determination to scotch the



US President Barack Obama shakes hands as he meets with Republican President-elect Donald Trump on transition planning in the Oval Office at the White House on November 10, 2016 in Washington, DC. (Gettyimages)

Trans-Pacific Partnership (TPP). Regional proliferation dangers are mounting. Central Asia and the Middle East are in seemingly endless turmoil, and the European Project is searching for a way forward. Amid these swirling events we must return to strategic first principles, keeping two different ideas in our minds simultaneously.

The first is that strategic foundations are essential for the effective management of the U.S.-China relationship. Simultaneously,

we also need to keep in mind that our two countries now have a relationship between our two *societies*, not just our two national *governments*, not just two national *leaders*. Our two societies' interdependence provides dynamism, durability, and creative potential that are the relationship's greatest strengths. These linkages among our local governments, companies, and civic organizations remind us of how much positive there is in U.S.-China ties. One opportunity to come out of the recent elections, for instance, is that

*Our two societies' interdependence provides dynamism, durability, and creative potential that are the relationship's greatest strengths.*

*I would ask: “Do we have the luxury of not choosing among threats, of not having priorities?” And if we must choose, is China reasonably placed on the list of threats with the others?*

about 34 state governorships are in the hands of Republicans who generally are free trade and investment oriented and likely to be dedicated to stable, productive economic and cultural ties with China.

What are the strategic questions upon which both sides should focus at this moment of transition in both our countries? Of the United States, I would first ask: U.S. policy in the Obama Administration asserts that “We don’t have the luxury of choosing among” challenges to our security: North Korea, ISIS, terrorism, Iran, Iraq, Syria, Afghanistan, Russia and China all currently are mentioned as central challenges, albeit over somewhat different time frames and in various ways. I would ask: “Do we have the luxury of not choosing among threats, of not having priorities?” And if we must choose, is China reasonably placed on the list of threats with the

others?

The first obligation of leadership is to bring commitments into alignment with resources. Not doing so fosters anxiety among allies and friends, emboldens competitors, and creates domestic confusion while gradually bleeding national strength and resolve. There are only limited ways to achieve alignment of resources and commitments--reduce threats; reduce commitments; multiply friends; and/or expand financial and political resources. *The time has come for America to do all four.* China is best viewed as a competitor with whom we can deal, not an existential threat now or any time soon.

Second, an enduring national interest of the United States has been to seek a sovereign, cohesive China and to prevent a circumstance in which the Eurasian Continent is under the

*China is best viewed as a competitor with whom we can deal, not an existential threat now or any time soon.*

*Of all the shared interests between China and America, the greatest is our common need for national development and renewal.*

dominance of any single hostile power or powers. This has been the lodestar of U.S. policy whether past challenges came from Europe in the Nineteenth Century, Japan in the first half of the Twentieth Century, the Soviet Union thereafter, or the current concerning convergence of Chinese and Russian policy. If this remains a defining U.S. national interest, “How does driving Moscow and Beijing together by putting pressure on one from Europe and the other from the Pacific, serve that objective?”

I also wish to ask Beijing a question: “While China has achieved a dramatic increase in its national strength over the last 40 years, and the international system has made, and should continue to make, room for China in global institutions, would it not be preferable for China to stick with the core feature of Deng Xiaoping’s strategy? Namely, reassure the Asian region and the world beyond in order to focus leadership attention, national resources, and popular energies on the protracted task of China’s national renewal?” Demographic trends in the People’s Republic are challenging, as is the gargantuan task of rebalancing the PRC’s economy, not to mention environmental stresses. Of all the shared interests between China and America, the greatest is our common need for national development and renewal. The quickest way to better relations with

Washington is for Beijing to improve ties with its neighbors. Recent moves towards peaceful management of maritime issues with the Philippines and Malaysia are welcome. Two steps in the right direction.

By way of conclusion, I would ask both sides two additional questions: “How can we cooperate to increase the density of economic and security institutions in Asia in which we both are participants?” And, “Are not the transnational problems the world faces almost becoming existential security challenges, whether we consider climate change, global health concerns, or the need to jointly contribute to the management of world economic stability?” Parenthetically, the incoming administration’s apparent intention to reject the Paris Climate Agreement is deeply disturbing. Elevating our shared strategic gaze to the global level will be difficult, but it is essential.



# The 'Trumpquake' and U.S. Diplomacy

While the president-elect's rhetoric suggests an isolationist turn, the reshaping of the US political landscape and Trump's pragmatic, businesslike approach to decision-making suggest that his policies still defy easy prediction.



**Cui Liru**

*Former President,  
China Institutes of  
Contemporary  
International Relations*

Donald Trump's triumph in the 2016 US presidential election was not only a shocker to many Americans, but also sent shock waves across the international community. The "Trumpquake" will be an extra-ordinary episode in the history of US presidential election.

The odd fruit of an unprecedented, ferocious political battle resulted from the reality that social and political polarization in America since 2008 has gone to the very extreme. The substantive contest has been between two major forces: On one side is the force consisting mostly of middle- and lower-level white

workers who, with Trump as their spokesperson, advocate strongly nationalist and populist domestic and foreign policies, hold high the anti-establishment, anti-elite political banner, and pledge to fundamentally change the status quo. On the other side is the traditional establishment and elite class, people who strive to preserve vested power and political norms, and contain anti-establishment, populist political forces within the current political and social framework, hoping to ease tensions and contradictions in relatively mild, incremental manners.

As a result, the establishment has



Chinese newspapers and British newspapers feature U.S. Republican candidate and President Elect Donald Trump on their front pages the day after Trump was announced the winner in U.S. presidential elections on November 10, 2016. (Gettyimages)

completely lost control, while populist and radical nationalist forces relish their triumph. For many people, such an outcome was more undesirable than surprising. This overthrow of existing US political order and social norms is actually a political crisis: The so-called Trumpquake is mostly about mainstream political forces and social elite's panic.

The outcome of the election has shattered the Democratic Party's "majority alliance", and will reshape both parties' political landscapes. The GOP not only has won the White House and retained control over both the House and Senate, but further expanded its majority advantages at state-level legislative and administrative offices. That means the process of economic and social reforms the Obama Administration

has worked so hard in the past eight years to push ahead face the threat of reversal. The US political balance will become even more skewed, and society's split will not be healed for a long time.

Undeniably both Trump and the voters and relevant political forces that have propelled him to the White House want badly to change the status quo of American domestic affairs and foreign policies. As a result, the future agendas of American economic, political and social changes will be dramatically different from those of the Obama era. It remains to be seen whether the main spindle will be a Trump agenda, a GOP agenda, or a blend of both.

A main aspect of people's concern about Trump as US president is his

*The odd fruit of an unprecedented, ferocious political battle resulted from the reality that social and political polarization in America since 2008 has gone to the very extreme.*

personal temperament. A combination of self-centrism and pragmatism, Trump is free of the fetters of mainstream ideology and the principle of political correctness, with white supremacy ingrained deeply in his bones. He is convinced this remains a world where the law of the jungle prevails, and enshrines Hobbesianism and the “winner is king” credo; his headstrong, obstinate style requires his subordinates to be highly loyal and obedient; he can be unscrupulous in order to achieve his goals, but at the same time does not lack flexibility in tactics. In the next few years, it will be fascinating to observe how the “House of Cards” of conflicts and compromises between the Trump team and the establishment and elite in Washington D.C. unfolds.

Compared with his domestic policies, traditional American establishment and Western allies are more concerned about Trump’s foreign policies. Based on Trump’s remarks on US foreign trade and security policies as well as some major issues on the campaign trail, in the words of famous Brookings scholar Robert Kagan, people will

see an America that focuses narrowly on “America first” interests, forsakes responsibilities for preserving international order, and returns to pre-WWII isolationism. In that case, the changes Trump will bring to future international relations will simply be immeasurable.

Now people are watching the power transfer in Washington with curiosity and anxiety, trying to find clues in the appointments and remarks Trump makes and the measures he takes that may foretell future American domestic and foreign policies. Judging from recent developments, Trump has begun to change tunes on some of his sensational statements during the campaign, and is starting to do some political fence-mending. Obviously Trump will not, cannot, as he bragged on the campaign trail, abruptly change the fundamental lines of US foreign policy and global strategy, or easily reverse major policies.

What determines the basic principles and overall posture of American diplomacy and global strategy has never been any individual

*Judging from recent developments, Trump has begun to change tunes on some of his sensational statements during the campaign, and is starting to do some political fence-mending.*

president, but always the dominant forces representing Washington and the status of US comprehensive strength. Since the 20th century, when American diplomacy shifted from isolationism to internationalism, the starting points and goals have never deviated from the “America first” principle. In different periods, the differences between US foreign policies under different presidents were only about the paths and forms taken for promoting so-called American “national interests”. After WWII, the internationalist school has dominated American global diplomacy, shaping the unprecedented superpower status the US has enjoyed. In the nearly two decades after the Cold War, the fundamental and main driving force for the US has been to play the world’s policeman, trumpet globalization and preserve the US-dominated world order, the US’ unrivalled status as the world’s sole superpower and its interest in industrial and financial capital expansion.

The wars in Iraq and Afghanistan, however, have significantly overburdened the US politically and economically. The financial crisis that broke out in 2008 exacerbated the decline of US strength from its pinnacle. Against such background, the diplomatic strategies of Obama, who got elected holding the banner of change, promoted the shrinking of US global force deployment, and shifting foreign trade and strategic focuses to the Asia-Pacific. Trump’s remarks on American diplomatic contraction also derive from such a general trend. He has loudly advocated the “America first” principle, emphasized

that the US should no longer assume all responsibilities like before, catering to nationalist feelings at home while demanding higher protection fees from allies.

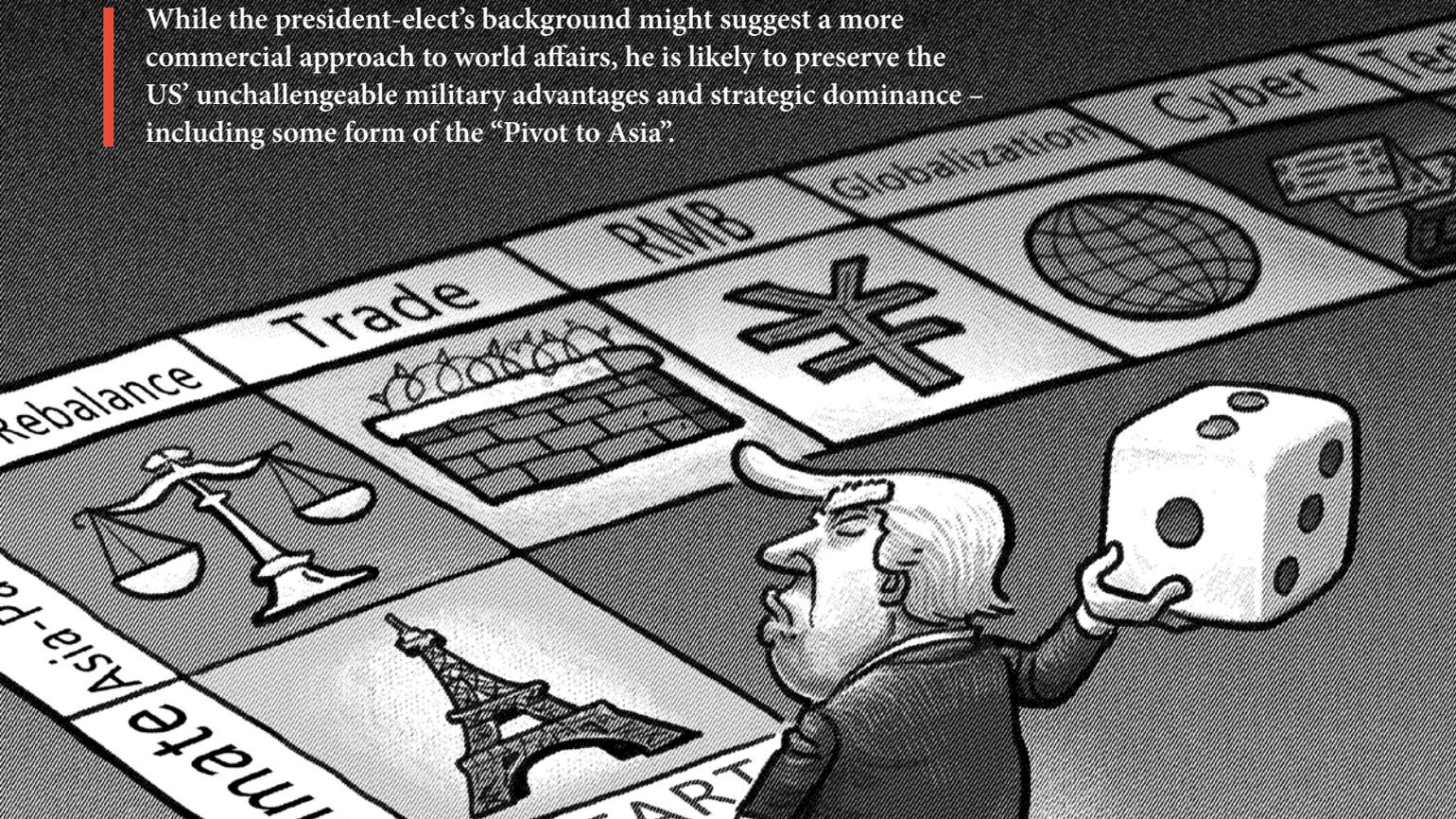
Trump needs to experience a process of transition from a businessman to a president — learning to be a US president. He met with Henry Kissinger, the most veteran and prestigious diplomatic advisor of the US establishment, after getting elected and listened to his advice. Kissinger said afterward that he was optimistic about the new president’s strategic decisiveness, and urged outsiders to avoid dwelling on some of Trump’s campaign rhetoric, and allow him some time. With the new president moving into the White House, the revolving door of the government will see a new team of ambitious individuals, many of whom are unfamiliar faces. Some significant issues facing US diplomacy will to a great extent rest on the diplomatic philosophy, policy stance and professional knowledge and experience of corresponding officials in charge.

To sum up, Trump’s win was a major political earthquake, some old, fragile entities will inevitably give way to new ones, while the solid ones will stay and continue to function. Other things may suffer damage of various kinds and degrees and require repair. This may well be the American politics and diplomacy we will have to face in the future.

*What determines the basic principles and overall posture of American diplomacy and global strategy has never been any individual president, but always the dominant forces representing Washington and the status of US comprehensive strength.*

# Strange but Familiar: A Cautious Look into Trump Diplomacy

While the president-elect's background might suggest a more commercial approach to world affairs, he is likely to preserve the US' unchallengeable military advantages and strategic dominance – including some form of the “Pivot to Asia”.



**Zhu Feng**

*Director,  
Institute of International  
Studies, Nanjing University*

With the cabinet of United States President-elect Donald Trump gradually taking shape, speculations about his foreign policy orientation abound. What diplomatic policies would Trump present? What would they mean to the rest of the world? Analyzing these questions will help handle and stabilize China-US relations in the Trump era. We can assuredly exclude three things from Trump's diplomatic options: neo-isolationism, mercantilism, neo-interventionism. The core of Trump's foreign policies will be America-centric neo-pragmatism.

Trump repeatedly stated on the campaign trail that the US would shoulder fewer responsibilities for allies, asked such Asian allies as

Japan and South Korea to share more cost of resident US troops, even suggesting he would let allies “protect themselves”. Such campaign rhetoric cannot be translated into real-world policies, essentially because the US will continue a strategy of US “unipolar hegemony” in the Trump era. The core of such a strategy is the US maintaining its global military alliances, and, by means of such alliances, ensuring its dominance and strategic superiority in the global system. Trump may impose burdens on allies, but can’t change the mega strategy that has become a part of the elite consensus after the Cold War.

The US headed toward “isolationism” after the 1919 Versailles Conference because America’s international proposals, featuring “Wilsonism”, had been refused by such old-time empires as the United Kingdom and France. The post-WWI America had no power advantage in the international system, and encountered policy frustrations in rebuilding post-war world order; that was the macro background of the rise of isolationism. Nowadays, the US not only enjoys a power advantage, but also has dominant

positions in terms of both order and rules. Trump’s US has no reason or domestic political ground to go back to the so-called neo-isolationism.

Trump is an authentic, successful merchant, but it will be difficult for him to re-introduce “mercantilism” in foreign policies after assuming the US presidency. Until World War I, 19th-century US diplomacy had followed a typical mercantilist line. The expansion of American interests in the Far East and the “open-door” principle the US adopted in its China policy in 1899 were cases in point. In the 21st century, however, things are dramatically different with the US’ multifaceted policy advantages and rich experiences in managing the relations between market order, trade and financial rules, as well as commercial interests. Even though Trump has clamored about launching a “trade war” against China and asked Japan to further open its market, discussion of such issues will have to take into perspective the interaction between geo-politics, geo-strategy and geo-economics. Trump emphasizes safeguarding American business interests, keeping manufacturing in America, and

*We can assuredly exclude three things from Trump’s diplomatic options: neo-isolationism, mercantilism, neo-interventionism. The core of Trump’s foreign policies will be America-centric neo-pragmatism.*

significantly renovating and increasing investments in infrastructure; while dealing with China and Japan, he will inevitably utilize US geo-strategic tools. Trump's nature as a businessman may endow his diplomacy with "deal-cutting" characteristics, but the Trump-era America will certainly continue highlighting long-term US geo-strategic interests.

The probability of Trump adopting neo-interventionism may be the lowest. Not because Trump is particularly passionate for peace, but because the wars in Afghanistan and Iraq after 2001 have made Americans aware that the neo-conservative hawks' belief that the US can do anything anywhere and assume the role of a global "liberator" has been a disaster to their country. The Obama Administration withdrew US troops from Iraq and reduced military presence in Afghanistan, refused to launch ground wars in the "Jasmine revolution" in the Middle East and North Africa as well as in the Syrian civil war, and cut off links with "neo-conservatives", "neo-interventionism". There is no reason for the Trump administration to renew what he sees as a failed approach.

Washington will more likely shift toward a "neo-utilitarian" policy. The main intent of such a policy will be letting the US make a timely turn to new problems that demand its attention and about which society has achieved consensus, gain practical

benefits in commerce, finance and market competitiveness, and outrun other countries in proposing new rules for international governance, all while preserving the US' unchallengeable military advantages and strategic dominance. But that dominance would not be used to peddle American democratic values and global interventionist responsibilities it has assumed. Such inclinations have always been the mainstream in US diplomatic history. Present-day America does have various troubles and challenges in its face. In Trump's eyes, the most important problem and challenge is interest distribution undesirable to the US has emerged in the process of liberal globalization based on US global responsibilities, which has hurt American interests and aroused indignation in white voters at home and strong reactions from the conservative mainstream.

Trump complained loudly about spending \$6 trillion in the Middle East, saying the sum would have been enough for rebuilding roads, bridges, tunnels and airports at home that are getting outdated. Trump's diplomacy will surely sustain the "America first" principle he has openly advocated for nearly 30 years. Specifically, it will be "American affairs first", "American interests first", and "American domestic development first". Such a policy will deviate from the mainstream of post-Cold War US diplomacy – "liberal internationalism".

*If such changes materialize in the Trump administration's diplomatic strategy transition, they will inflict practical strategic and economic pressures on China.*

Such a neo-pragmatist orientation may very likely be most conspicuous in three aspects: First, the Trump administration may dump the TPP, but continue striving to highlight American market principles and standards in foreign trade, business and financial relations, hence seeking to adjust and develop international trade and financial systems in the US' favor. Trump has a fixation with making sure the US no longer suffers "losses" in economic exchanges with China and Japan, and making sure international markets and investment and trade relations continue benefiting the US. It will be difficult for the Trump administration to "de-globalize", instead, it will vociferously ask for American-style "re-globalization".

Second, he may push to dramatically increase military expenditure, while making advanced weaponry more affordable for the US military, directly pressure Russia and China into an arms race. This marks Republican diplomacy's return to the 1980s Regan era, with an emphasis on consolidating US power advantages and pursuing peace with might.

Third, he could choose to cooperate

with Russia on Middle East and European issues, even to accept the "post-Crimea" European political landscape, reduce US diplomatic attention on the Middle East, and strive to cooperate with Russia so as to end the stalemate in Syria.

Fourth, in the Asia-Pacific and Europe, he may encourage allies to assume more responsibilities and act more aggressively, and continue shifting the focus of global military deployment to the Asia-Pacific. Although it may no longer mention "pivoting to the Asia-Pacific", the Trump administration will actually inherit and press ahead with such a strategy.

If such changes materialize in the Trump administration's diplomatic strategy transition, they will inflict practical strategic and economic pressures on China. First, China-US conflicts over the renminbi exchange rate, degree of market openness, investment areas, state-owned firms and export subsidies will rise conspicuously, and American pressures for favorable changes in the Chinese market may be more forceful, specific and insistent. Second, the intensity of US strategic intervention and interference in the

West Pacific area will not decrease conspicuously; alliance politics will remain the core of US Asia-Pacific diplomacy. Third, the impacts of “re-globalization” on Europe, the Middle East, and Latin America may very likely further complicate conditions for Chinese overseas investments and businesses in a certain period of time. Lower American market demand for imports will continue compromising Chinese efforts to boost foreign trade, and global demand growth will stay weak in a fairly long time.

Fourth, adjustments in American industrial and business policies that are to come along with those in foreign policies will render China-US investment agreement negotiations even more difficult. The Trump-era US may very likely be both familiar and strange to us. Such a US will want to stimulate growth via neo-Keynesian tax cuts, encouraging exports and expanding infrastructure investments while aspiring to return to the aggressive posture of the Regan era in diplomacy, seeking peace with might. The question is: Can Trump become “a second Regan”?

No matter what diplomatic principles Trump chooses to follow, they will profoundly and extensively affect China-US relations. However,

mutual dependence has reached such width and depth since they established diplomatic ties 37 years ago, particularly after Beijing proposed a “new-type major-power relationship”, China and the US are getting along generally well, in both bilateral and multilateral settings. Chinese President Xi Jinping’s phone conversation with the US president-elect on November 14 also set the constructive tone of China-US continuing cooperation, managing disputes, and actively pursuing new progress. The Trump administration’s China policy is still worth waiting for.

*The Trump-era US may very likely be both familiar and strange to us.*

# The New Commander- In-Chief



Donald Trump's ascension to the presidency in 2017 will also make him the new commander-in-chief of the United States Armed Forces. While some see his strongman style as reminiscent of Theodore Roosevelt's Gunboat Diplomacy, there are too many known unknowns about Trump's defense policies to predict how he would react in the event of war or a perceived threat.



**Franz-Stefan Gady**  
*Associate Editor, Diplomat*

Donald Trump's ascension to the presidency in 2017 will also make him the new commander-in-chief of the United States Armed Forces. Will the chances of the United States getting involved in another war increase? Will President Trump be more likely to use nuclear weapons than his predecessors? Like it or not, he will have a large say over the question of war and peace in the next four years.

## The President's War Powers

The U.S. president's powers to wage war are quite extensive. Most importantly, he can take military actions without specific congressional authorization, although the so-called War Powers Resolution from 1973 mandates that the president has to withdraw combat troops from foreign territory within 60 to 90 days unless Congress authorizes their continued deployment. However, no president — including Barack Obama back in 2011, when he did not seek congressional authorization 60 days into the Libyan intervention — has accepted the constitutionality of the 60-90 day limit.



*Trump's war powers in the long run will depend on how well he will be able to work together with the Republican majority in both the House and Senate.*

According to executive-branch interpretation, most conflicts that the United States has been involved in did not pass the threshold definition of war for constitutional purposes. Indeed, the United States has not declared war since 1942 and ever since U.S. President Harry Truman's decision to dispatch U.S. troops into Korea in 1950, the president has made the initial decision to commence military hostilities abroad. In the late 20th/early 21st century, the executive branch's power was generously interpreted as giving the president the ability to wage war without congressional authorization even when the United States is not facing an actual or imminent threat to its national security.

Like it or not, President Donald Trump will have a large say over the question of war and peace in the next four years.

While Trump would be able to get the United States into a war, Congress can cut off funds if it believes that the president has misled them or that the military engagement is not in the interest of the United States. Fighting modern war is

expensive and has so far always required special funding legislation. If Congress opposes military action, it could just refuse to pass a law funding the president's military adventure rather than actively passing legislation to reduce the size of the military or cut the defense budget. Consequently, Trump's war powers in the long run will depend on how well he will be able to work together with the Republican majority in both the House and Senate.

### **The Worst-Case Scenario**

The question of war and peace under a Trump presidency becomes imminently more pressing when discussing the use of nuclear weapons. In the summer, an American talk show host claimed that Donald Trump repeatedly asked a foreign policy expert why, given that the United States possesses nuclear weapons, it cannot use them. (Trump denied the veracity of the story.) President Barack Obama repeatedly stated he would not trust Trump with the nuclear launch codes for U.S. intercontinental nuclear ballistic missiles given his temperament. Rather than



Source: *TheMilitary Balance 2015*

being guided by deliberate and rational thought when making a decision that could annihilate the lives of millions, emotions could get the better of the president-elect and cloud his judgement, resulting in nuclear holocaust.

While China (and potentially North Korea) could hit the United States with nuclear weapons (keeping in mind that Beijing maintains a so-called minimum nuclear deterrent, however, with a no-first-use policy), it is a nuclear conflict with Russia that poses the greatest danger to the United States given current U.S. nuclear war strategies. For example, the United States maintains a so-called Launch Under Attack capability, which demands that the U.S. military detect the launch of Russian ICBMs and launch retaliatory nuclear strikes before Russian missiles take out U.S. land-based missile silos on the

continental United States. (As recently as 2013, the president ordered the U.S. Department of Defense to retain this capability under its Nuclear Employment Strategy.)

Under such a scenario, laid out in great detail by Jeffrey Lewis and Dave Schmerler in August 2016, President Trump would have less than eight minutes from the first call to the White House until the last moment he can act and decide to launch the 400 land-based nuclear-armed ICBMs before Russian missiles have started to detonate on American soil and destroy U.S. missile silos. Under such a scenario, the president's options are limited and there is practically no time for deliberations (e.g., trying to find out whether it is a false alarm). "The system is designed for speed and decisiveness. It is not designed to debate the decision," retired General Michael Hayden

*The United States will no longer be the policeman of the world, although given Trump's pledge to expand the U.S. armed forces, the United States will remain militarily present in the world, perhaps in a more standoffish manner built around the concept of offshore balancing.*

## *One of the dangers of Donald Trump as the new commander-in-chief is his staunch belief in the soundness of his judgment.*

said in an interview this August. In a Launch Under Attack scenario, it is unclear whether any president would have much time for deliberations (three to four minutes at most) before making a decision that could kill millions.

However, given the size and diversity of the U.S. nuclear arsenal it will be virtually impossible for Russia to succeed in dealing a knockout blow to the United States and destroy the majority of missile silos, bombers, and ballistic missile submarines. In addition, there is also no U.S. policy in place that would require the president to promptly launch nuclear weapons in retaliation even after the confirmation of a Russian nuclear attack. As a consequence, no immediate decision on the launch of nuclear retaliatory strikes is required to preserve a counterstrike capability. Trump could choose to, but would not need to, order a launch on warning. President Trump, if still alive after the very-hypothetical Russian nuclear attack, would thus need to deliberate carefully with his national security team over whether to launch retaliatory strikes or not. It is difficult to assess how he would react under such circumstances and whether he would rely on experienced national security staff to formulate a proportionate response or not.

### **The Most Likely Scenario**

Judging from Donald Trump's past leadership style, the most likely war scenario in a Trump presidency is a disproportionate large military response to a minor incident such as the alleged attack on the U.S. Navy guided missile destroyer USS Mason in October of this year. It is possible that a President Trump would, for example, order massive retaliatory airstrikes in response to such an incident or dispatch Special Operations Forces

to conduct raids against military installations of those deemed responsible.

In short, we could experience a revival of a Trumpian version of Teddy Roosevelt's so-called Gunboat Diplomacy. Perhaps, we even should expect a 21st-century replay of the Pedicaris Affair of 1904, where Roosevelt sent seven U.S. Navy warships and several hundred Marines to Morocco (with unclear instructions) after the kidnapping of an American citizen there, ending with a variant of the Roosevelt administration's succinct demand: "Pedicaris alive or Rasuli [the bandit who kidnapped the American] dead.")

Trump also repeatedly said during his campaign that he will emphasize counterterrorism operations and seek the cooperation, not only of allies, but also of countries such as Russia. Nevertheless, given his reported admiration for Russian President Vladimir Putin (and other strongmen), it is unclear how Trump will react when challenged by Russia along NATO's eastern flank in Europe — especially since Trump appears to think that the Russian military is as powerful as the United States armed forces. The possibility that Gunboat Diplomacy (i.e. bullying) might not work could, in fact, cause him to back off.

It is also likely, however, that Trump would be careful in deploying a large number of troops overseas for a prolonged amount of time given his neo-isolationist tendencies; he has repeatedly called for allies to share a larger burden when it comes to military expenditures and more proactively providing for their own national security. At the same time, it is also unclear whether Trump would be capable of working with Congress to appropriately fund large-scale military operations abroad for a prolonged

time. In a scenario such as described above, predicated upon the president's erratic temper and an unwillingness to listen to his (hopefully) more experienced national security staff at the White House, moderate Republicans and Democrats would quickly move to slash funds or fail to pass necessary legislation and cut any impulsively ordered Trump military expedition short.

Given the platform President Trump ran upon, it is improbable that he would want to involve the U.S. military in nation-building and democracy promotion abroad as seen over the last decade. Consequently, we are unlikely to experience large-scale military operations akin to the large U.S. military involvements in Afghanistan and Iraq. The United States will no longer be the policeman of the world, although given Trump's pledge to expand the U.S. armed forces, the United States will remain militarily present in the world, perhaps in a more standoffish manner built around the concept of offshore balancing.

### Trump and the Unpredictable

One of the dangers of Donald Trump as the new commander-in-chief is his staunch belief in the soundness of his judgment. Trump has repeatedly expressed his admiration for U.S. generals Douglas MacArthur and George S. Patton, impulsive and unorthodox generals endowed with a great belief in their own invincibility. Trump appears to hold similar convictions about his own leadership. This could be exploited by U.S. adversaries to lure the United States into unnecessary conflict.

MacArthur was famously outmaneuvered by Mao Zedong in 1950 when the communist leader compelled him to fight off a massive Chinese counteroffensive deep inside North Korea, necessitating a U.S. general withdrawal and resulting in the successful Chinese recovery of all of North Korea.

It remains to be seen whether U.S. adversaries will try to play on Trump's volatile temperament and what some perceive to be delusions of grandeur. There will certainly be some testing by the Russians in Europe and Syria and the Chinese in Asia as to how far they can push a new President Trump. For example, will the Chinese step up so called gray-zone coercion — i.e. the use of China Coast Guard (CCG) and maritime militia vessels to press Chinese claims in the South China Sea? Or will they reduce their activities due to Trump's largely unpredictable behavior, existing U.S. rules of engagement, and international treaties notwithstanding?

There are too many known unknowns about Trump's defense policies to try to make an accurate depiction of his likely moves in the years ahead and how he would react in the event of war. Too many of his statements contradict one another. President Trump would do well, however, to remember that should he decide to get involved in military conflicts, he should have a clear plan about how to eventually get out of them. Bullying — as Richard Nixon and others learned in Vietnam in the 1960s and 1970s — will not suffice to end conflicts or to give the United States peace with honor.

*There are too many known unknowns about Trump's defense policies to try to make an accurate depiction of his likely moves in the years ahead and how he would react in the event of war.*

# The 'New Normal' in China-U.S. Military Relations



**Yao Yunzhu**

*Yao Yunzhu,  
Retired Major General,  
Chinese People's  
Liberation Army*

Of all relationships between China and the United States, the military one has traditionally been the most difficult. For more than two decades, while relations between the two great powers in other fields had gone through ups and downs, defense relations had been trapped in an on-and-off pattern. Lack of understanding and deep-rooted suspicion had kept military ties at a low level and rendered them highly vulnerable. However, recent years have witnessed more positive developments, and some observers have even cheered the military relationship as a highlight in generally downhill bilateral relations. It seems that the China-US military relationship has entered a state of “new normal”, in which progress is encouraging, though challenges are daunting.

One positive development in this “new normal” pattern is the newly found resilience in the mil-mil relation. The mutual understanding is that military ties are so important

The China-US military relationship goes beyond its traditional bilateral boundary, and moves into regional and even global arenas. With the Chinese military extending its global reach, it finds more occasions to cooperate with its US counterpart.



*About 1,200 soldiers and officers from the Chinese Navy arrive in the Pearl Harbor on June 29, 2016, to take part in the U.S.-led Rim of the Pacific 2016 (RIMPAC 2016) multinational naval exercise. (Photo: CRI)*

*The mutual understanding is that military ties are so important that they have to be maintained even in difficult times.*

that they have to be maintained even in difficult times. The Chinese PLA and the US military are now interacting with each other with more frequency and greater density. The Chinese navy's participation in the RIMPAC 2016 Exercise hosted by US Pacific Fleet, and the consecutive visits to China by Adm. John Richardson, Chief of Naval Operations; Adm. Scott Swift, Pacific Fleet Commander; and Gen.

the two military establishments have been carried on in a more interactive and constructive way. The mechanism of the Maritime Management Consultation Agreement, in which both sides have tried to work out ways to avoid accidents at sea and in the air, has yielded concrete results. At the national level, defense officials on both sides have participated in the Strategic and Security Dialogue. Meanwhile, the two militaries



*China's Hengshui frigates sails behind the U.S' Arleigh Burke class destroyer and the Gaoyouhu supply ship, all on their way to Hawaii in the RIMPAC 2016 Exercise. (Xinhua Photo)*

Mark A. Milley, Chief of the Army Staff, are examples of unimpeded communication and exchanges at times when the two countries are pointing fingers at each other in the South China Sea and on the THAAD deployment decision. High-level visits have not only been frequent in number but also candid and communicative in style.

The "New Normal" also features the extension and deepening of institutionalized exchanges and dialogues. Annual Defense Consultative Talks and Defense Policy Coordination Talks between

have worked to set up new dialogue platforms between defense counterparts, such as between the strategic planning organizations and the services.

Functional exchanges make up the substance of military relations, including reciprocal visits by military academies and schools, academic exchanges such as a seminar on international issues jointly sponsored by the Chinese Academy of Military Science and the US Army War College, the exchange between military medical units, counter-terrorism units, cooperation of

*Submarine rescue officers from the U.S. and Chinese navies communicate during a training brief for a multilateral submarine rescue exercise, during Rim of the Pacific 2016. (Photo: U.S. Navy)*



*The two militaries carry out more than 50 exchange programs every year.*

archivists to locate the remains of US MIAs during the Second World War, and port calls. Recent years have seen more joint exercises than ever before, such as a counter-piracy joint exercise in the Gulf of Aden, HADR (humanitarian assistance and disaster relief) exercises in both China and the US, and SAR (search and rescue) exercises in conjunction with port visits. Functional exchanges are the essential way to build trust and develop the habit of cooperation. The two militaries carry out more than 50 exchange programs every year.

Another new development worth noting in this “New Normal” are the measures and mechanisms to prevent and manage crisis between the two militaries. At the end of 2014, the US Department of Defense and the Chinese Ministry of National Defense agreed upon two MOUs (Memorandums of Understanding), one on

notification of major military activities, another on rules of behavior for safety in air and maritime encounters. Last year, an annex of “military crisis notification mechanism for use of the defense telephone link” and an air-to-air part of the rules of encounters were added to the two MOUs. Crisis-prevention management and confidence-building measures are important new elements in the relationship now that both militaries find themselves encountering each other frequently. They are crucial stabilizers even in the worst circumstances.

In addition, the China-US military relationship now goes beyond its traditional bilateral boundary, and moves into regional and even global arenas. With the Chinese military extending its global reach, it finds more occasions to cooperate with its US counterpart. For example, both militaries take a major supporting role in the ADMM+

*China's bilateral disputes with its neighbors, some of whom are US allies, have brought the two militaries to new frictions, triggering significant multilateral and regional ramifications.*

framework joint exercises on HADR, MM, SAR, counter-terror, and so on. Chinese and American naval patrol ships carry out joint drills each year in the Gulf of Aden. The Chinese naval vessels, together with Russian, American and Norwegian vessels, have jointly accomplished the UN mission to destroy chemical weapons from Syria. Even though military cooperation in a multilateral framework is still nascent, it foretells a “New Normal” where the two militaries may have more common interests and share more common responsibilities.

However, the “New Normal” pattern has a negative side too. China's bilateral disputes with its neighbors, some of whom are US allies, have brought the two militaries to new frictions, triggering significant multilateral and regional ramifications. For China, territorial integrity is the vital national interest, and for the US, the credibility of its defense commitment to allies is key to its regional security architecture.

The current US military moves, including deployment of the most advanced weaponry to the Western Pacific, increase of forward military presence, large-scale allied exercises, FONOPs in the South China Sea, new defense

arrangements such as the rotational deployment to the military bases in the Philippines, upgrading of the security treaty with Japan, arms sales to China's neighbors, and the decision to deploy a THAAD system in the ROK, all give China the impression that the US is using its alliance framework to suppress China's rise, especially in the military dimension. This has proven to be a major obstacle to further improvement of

military relations.

To sum up, the current China-US defense relationship is more resilient, substantive, and extensive than before. However, to keep it on a positive track, there is much to be done.



*Chinese and U.S. soldiers greet with each other during the counter-piracy exercise in the Gulf of Aden, Aug. 25, 2013. (Photo: U.S. Navy)*

# After the Death of TPP, What Happens Next?

Over the long term, Washington will need to re-assert its trade presence in the Asia-Pacific region. The supply chains are too interwoven and interdependent for the U.S. to go at it alone, despite the isolationist rhetoric emanating from the U.S. election.



With the election of Donald Trump to the White House, the Obama Administration has finally accepted the inevitable and has announced that it will cease efforts to push the Trans Pacific Partnership (TPP) forward in the waning days of the lame-duck session of Congress. From a U.S. perspective, the TPP is now dead. For the 11 other TPP partners, this announcement is a disappointment, although not an unexpected one given the opposition to the TPP demonstrated by both Trump and Hillary Clinton. Japan has already passed TPP legislation and there is legislation pending in the New Zealand Parliament. In Canada, the Liberal Party, which inherited the TPP from its predecessors, has been conducting hearings on the treaty. However, while opponents received ample airtime, the hearings were really just a



**Hugh Stephens**  
*Senior Fellow,  
Asia Pacific Foundation  
of Canada*

way to “rag the puck”, running out the time until it became clearer what would happen in Washington.

With the U.S. unwilling to ratify the agreement that was signed in February, it cannot go ahead unless it is revised. Under its current terms, it can only come into force if at least 6 of the 12 original members, comprising 85 percent of the combined GDP of all members (in 2013), agree to proceed. With the U.S. and Japan having a combined share of about 80 percent of combined GDP, this effectively gives both countries a veto (the U.S. share is about 62 percent). Whether the remaining eleven would be interested in proceeding without the U.S. is debatable

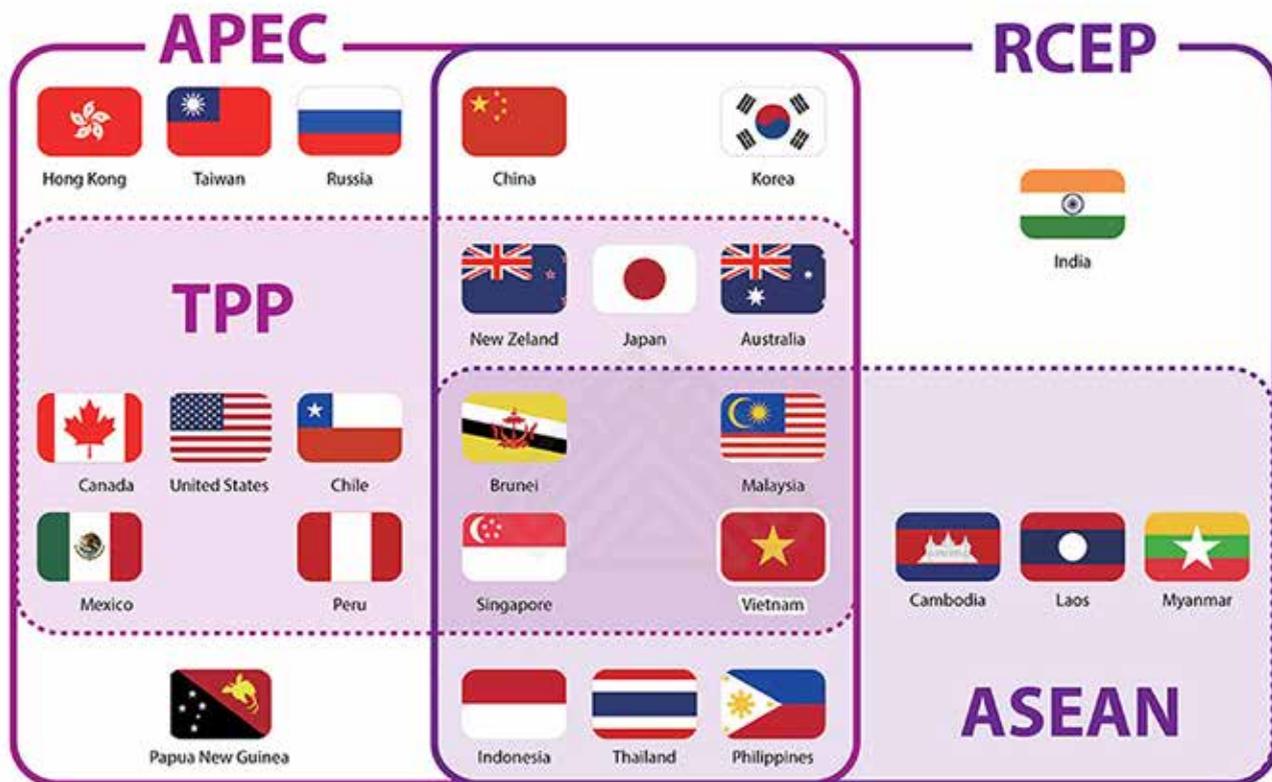
*China has been pushing the FTAAP as an ultimate goal, and APEC has even agreed to a “strategic study”, co-chaired by China and the U.S., to explore the ways in which the TPP and RCEP could be made compatible and mutually reinforcing.*

since gaining exclusive access to the U.S. market was the main priority for many member countries.

So where does this leave businesses and exporters in the U.S. and other TPP countries? Most of the other TPP players have another string to their bow. Australia, New Zealand, Singapore, Malaysia, Vietnam, Brunei and Japan are parties to the Regional Comprehensive Economic Partnership (RCEP) Agreement, which is currently under

negotiation. RCEP includes all 10 countries in the Association of Southeast Asian Nations (ASEAN) plus Japan, China, Korea, India, and Australia and New Zealand. Chile, Peru, and Mexico are members of the newly formed Pacific Alliance (PA), which is engaged in liberalizing trade in the Latin America region. Along with Canada, Mexico is a North Atlantic Free Trade Agreement (NAFTA) partner alongside the U.S. However, being a member of NAFTA these days is not very reassuring given what Trump has said about revising — or scrapping — the 20-year-old agreement that has worked well for all three partners.

While the TPP was accused of being negotiated in secret, the same is true of the RCEP. And although the TPP text became publicly available after final agreements were reached, the terms of the RCEP remain vague. It is generally accepted that based on bilateral agreements between the ASEAN partners and the six countries that are the ASEAN bloc’s main trade partners, that RCEP represents lower ambition and benefit in terms of bringing down trade barriers in comparison to the TPP. However, in addition to trade in goods, RCEP includes trade in services, investments, intellectual property rights, competition policy, and dispute settlement and technical cooperation. The agreement also includes China, the world’s second-largest economy. Despite the inevitable carve-outs for sensitive sectors and long phase-ins for some products, when the agreement is finalized, it will create a preferential trade zone for its members that will cover 45 percent of the world’s population with a combined GDP of \$22 trillion, while accounting for 40 percent of global trade. It will be the world’s largest trade bloc—and the U.S. will be on the outside looking in.



APEC (Asia-Pacific Economic Cooperation); TPP (Trans-Pacific Partnership); RCEP (Regional Comprehensive Economic Partnership); ASEAN (Association of Southeast Asian Nations). Graphic©Asia Briefing Ltd

For U.S. companies exporting to or operating in the region, it will likely lead to more outsourcing as companies seek to get inside the RCEP zone. As the Asian Trade Centre in Singapore has commented:

*“Companies hoping to remain competitive—and particularly those working in export markets—will have to work much harder now. Absent trade preferences, firms are at a disadvantage relative to competitors in places like Asia or Europe. The outsourcing that Trump has complained about is likely to accelerate. Firms that want to take advantage of benefits conferred through deals like the Regional Comprehensive Economic Partnership (RCEP) in*

*Asia will need to be located in Asia to provide goods and services to these faster growing, significant markets.”*

This, of course, is the opposite outcome for which Trump has been advocating.

The TPP is supposed to be one of the “pathways” (alongside the RCEP and the Pacific Alliance) to a much broader Free Trade Area of the Asia Pacific (FTAAP), a mega regional agreement that would combine and multiply the benefits of its components. China has been pushing the FTAAP as an ultimate goal, and APEC has even agreed to a “strategic study”, co-chaired by China and the U.S., to explore the ways in which the TPP and RCEP could be made

compatible and mutually reinforcing. While the FTAAP would bring China into a larger, presumably higher-discipline treaty, the U.S. has preferred to focus first on the TPP, which would become a building block of any larger trade agreement. In this way, it would have the first-move advantage and set the bar for the FTAAP. Many U.S. industries would benefit from the lowering of trade barriers and more transparent rules in many areas, from investment-dispute settlement to intellectual-property rights to environmental and labor standards. However, that strategy is out the window—at least for the foreseeable future.

The risk is that the U.S. will be seen as turning its back on Asia. China will push to conclude the RCEP, making the RCEP a template for broader trade within the region. Countries in the Western Hemisphere will see a divide down the Pacific.

For North American businesses operating in Asia, it will be important to maintain an active presence in the region and to take advantage of new trade blocs if and when they emerge. As noted, it may mean that companies will have to localize their presence. Existing bilateral agreements, such as the FTAs that Korea has with the U.S., Canada and Chile will help. With the collapse of the TPP, Canada can be expected to revive its bilateral free-trade discussions with Japan that were suspended when Japan joined the TPP negotiations (Japan already has an agreement with Chile). It may be time for the U.S. and Japan to consider a bilateral agreement based on the groundwork that has been laid through the TPP negotiations — although with

Trump setting trade policy, it is hard to imagine that this will be a priority.

China is facing its own economic challenges as its economy slows. Beijing is looking for ways to boost growth, such as the Belt and Road Initiative and by increasing domestic demand. Giving RCEP a push to reach a successful conclusion (perhaps by making some concessions to provide momentum) would be another way to stimulate economic activity, particularly if Trump follows through on threats to disrupt Chinese exports to the U.S. It would also establish Chinese leadership vis a vis ASEAN at a time when U.S. economic commitments to Asia are in question.

Ultimately, over the long term, Washington will need to re-assert its trade presence in the Asia-Pacific region. The supply chains are too interwoven and interdependent for the U.S. to go at it alone, despite the isolationist rhetoric emanating from the U.S. election. For the immediate future, however, the still-birth of the TPP is a setback for U.S. exports, for Western interests in Asia, and for companies, workers, and consumers in both the U.S. and other TPP countries. It will take time to assess and, eventually, remedy the damage.

*For the immediate future, however, the still-birth of the TPP is a setback for U.S. exports, for Western interests in Asia, and for companies, workers, and consumers in both the U.S. and other TPP countries.*



There is little evidence that an undervalued renminbi played a major role in driving China's trade surpluses over the past decade. Likewise, a causal relationship between the U.S. trade deficits and China's surplus has been assumed that is not true. Structural shifts, not an undervalued exchange rate, were the major factors driving China's export capabilities.



**Yukon Huang**  
Senior Associate,  
Carnegie Endowment

## Trump and U.S.-China Trade Tensions

President-elect Donald Trump has capitalized on the fact that complaints about unfair competition are politically popular, with China often being the convenient target. Ask the average person in Detroit or even Washington, and he will likely say that China's manipulation of its currency is one of the causes for America's trade deficit and job losses. However, economic principles tell us that the current account balance of each country is determined within its own borders, not by its trading partners, and that employment gains or losses are rarely a trade issue.

The confusion comes from having China as the final assembly point and the shipping to the United States of parts produced by other Asian countries. This makes it difficult to determine which country is really responsible for the bulk of the value of finished products that end up in America.

China's foreign investment-led industrialization process created the capacity for it to become globally competitive, while membership in the WTO provided it access to

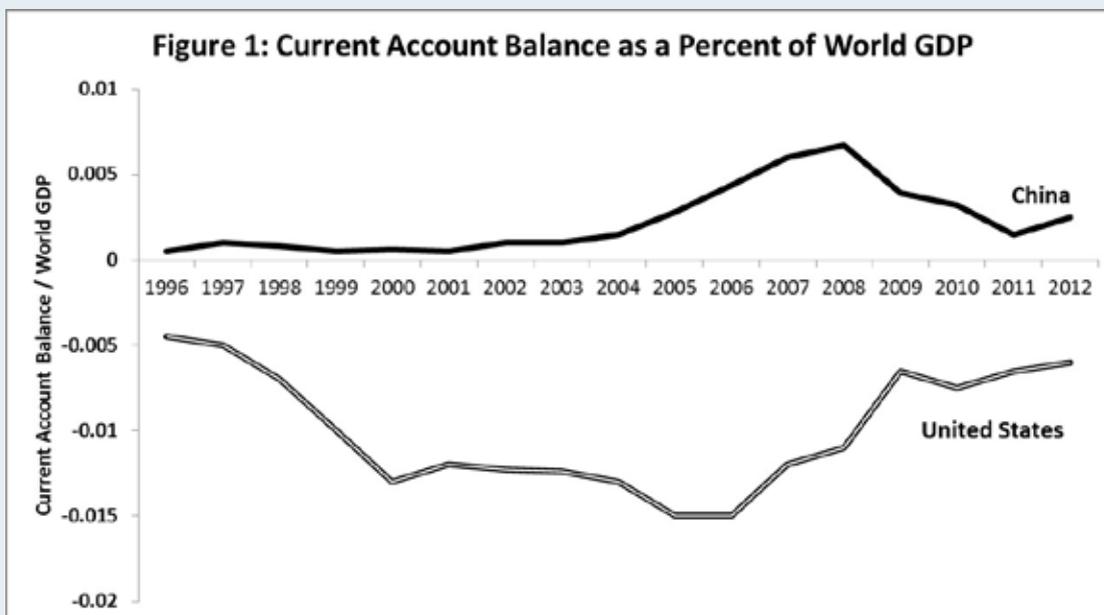
*Economic principles tell us that the current account balance of each country is determined within its own borders, not by its trading partners, and that employment gains or losses are rarely a trade issue.*

Western markets. This led to a dramatic increase in China's account surpluses by the time of the global recession, while the U.S. and the EU were offset in part with deficits with the rest of the world. The size of its trade surpluses with the U.S. has led to China to being blamed for lost jobs, unfair competition, and low wage growth, although much of the surplus represents an "accounting" shift among countries in the Asian region.

Nonetheless, the fact that China accounts for the largest share of America's trade deficit provides credibility for the storyline that Beijing has kept the renminbi undervalued for

competitive reasons. However, there is no direct link between the emergence of America's huge trade deficits and China's trade surpluses. Moreover, there is little evidence that an undervalued renminbi played a major role in driving China's trade surpluses over the past decade.

The fact that the U.S. and China's trade balances are not directly linked is clearly illustrated by the historical numbers using shares of global GDP as the reference (see Figure 1). America's trade problems became significant around the late 1990s when its current account deficit, as a share of global GDP, increased sharply and only began to



moderate around 2007. But China's account surpluses did not become significant until around 2004-05. As China's surpluses increased, the U.S. deficit actually started to moderate. How could China be responsible for America's trade deficits, when in fact America's huge deficits emerged long before China even became a major export power?

A trade deficit is often the result of excessive government deficits and/or households consuming beyond their means—both of which have characterized the American economy over the past two decades. In such circumstances, a large trade deficit is inevitable. The countries that show up as being the source of the offsetting trade surpluses are incidental.

America's bilateral trade deficits were concentrated among the more developed East Asian economies in the 1990s, most notably Japan, South Korea, and Taiwan. But this shifted to the Chinese mainland after it became the center of the regional production line with its accession to the WTO in 2001. Figure 2 indicates that U.S. manufactured imports from East Asia have decreased from about 45 percent of total U.S. manufactured imports in 1990 to about 20 percent in 2014. However, this is a reflection of China gradually capturing an increasing share of the last stop in

the global assembly chain. Thus, the appearance that U.S. trade deficits are linked with China's surpluses is misleading. It is really about deficits with East Asia where many of the higher-value components are being produced.

*Structural shifts, not an undervalued exchange rate, were the major factors driving China's export capabilities.*

The other major source of tension is the perception that China's export strength is due to its exchange rate being deliberately undervalued. China exchange rate was fixed at 8.27 to the dollar from 1994 to 2005. For much of this period, the renminbi was widely seen as over-valued, not under-valued.

What eventually helped China to generate significant trade surpluses came from being able to access Western markets more easily after joining the WTO. Membership provided incentives to ramp up productivity-enhancing

*Technological advances, shifting industrial expertise around the world, and the availability of low-cost labor, if not in China then elsewhere in countries like India, Mexico, and Vietnam, have made the decline in manufacturing jobs inevitable in the United States.*

infrastructure investments that caused labor productivity to soar. Structural shifts, not an undervalued exchange rate, were the major factors driving China's export capabilities.

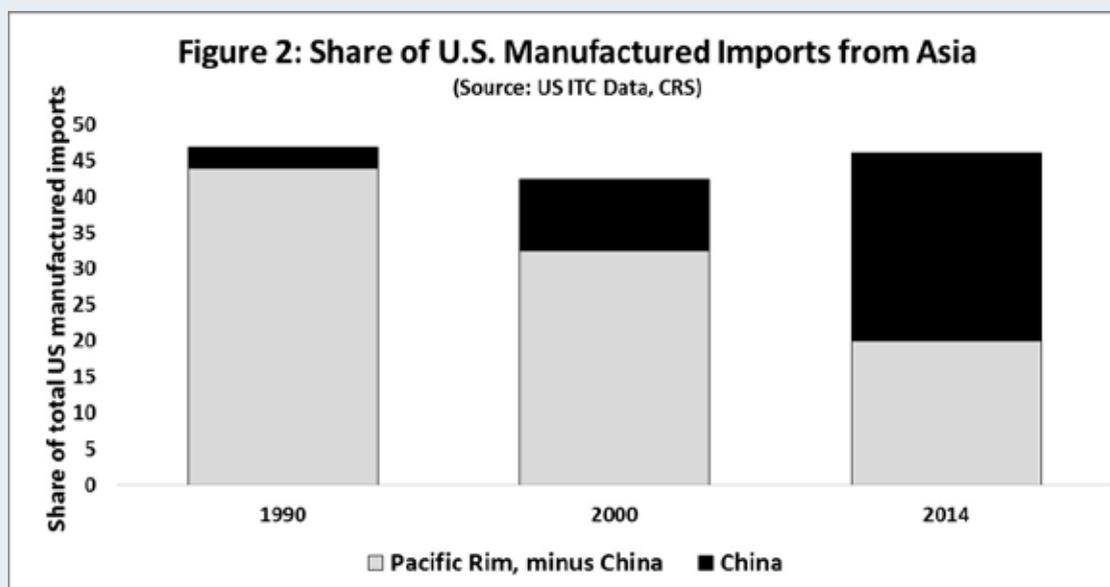
Even if China's exchange rate becomes less of a concern, emotions in the United States and Europe are likely to remain strong, thanks to the perception that manufacturing jobs have been lost to developing countries like China and that the incomes of the middle class have suffered from globalization. This has derailed any prospects of ratifying the U.S. led Trans Pacific Partnership (TTP).

The decline in manufacturing jobs in the United States is not strictly a China issue. The share of manufacturing workers in the United States has been declining for quite some time with the total number of manufacturing jobs peaking in 1979. China's trade with the United States did not take off until the early 2000s, well after the U.S. job decline began.

The loss of American manufacturing jobs, however, has been driven by forces largely beyond the control of any leader or country. Technological

advances, shifting industrial expertise around the world, and the availability of low-cost labor, if not in China then elsewhere in countries like India, Mexico, and Vietnam, have made the decline in manufacturing jobs inevitable in the United States. The process can be moderated but trying to stop it with trade barriers or restrictions on migration will ultimately prove to be ineffective with the costs showing up in reduced growth and welfare for all countries. Nor would higher tariffs bring many of these jobs back.

What made the process seem like a China issue is the speed and size of the loss in jobs that began as China became the center of the East Asian production network. With the recent decline in East Asia's trade surpluses, the pattern of job loss has changed. Contrary to today's popular perceptions, manufacturing jobs have actually been increasing of late in the United States. America's exports to China are also becoming a major source of U.S. job generation with the Department of Commerce estimating that some 350,000 new jobs were created for this purpose during 2009-14. In contrast, the manufacturing labor force



in China has been declining as workers' salaries are now twice that of Vietnam and four times that of Bangladesh.

Yet, the reality is that the “hollowing” out of the middle class in the United States and Europe has given rise to frustrations that can no longer be placated by simply appealing to the supposed virtues of globalization. There are uncompensated losers in the process. As many have noted, political systems need to find ways to address local interests without giving up the benefits that globalization can bring. Countries like China need to

play a role in the process by being more sensitive to the external consequences that their own structural shifts have created in the West and among other developing economies.

*Yet, the reality is that the “hollowing” out of the middle class in the United States and Europe has given rise to frustrations that can no longer be placated by simply appealing to the supposed virtues of globalization.*

# Is Duterte Really Separating from the U.S. in Favor of China?

What we are witnessing isn't necessarily a 'Duterte wave' of defections to China at the expense of America. More likely, it is a temporary recalibration on the part certain Southeast Asian states that are unsure of American commitment to the region and eager to avoid direct confrontation with China, which in turn is offering large-scale investment and trade deals in exchange for strategic acquiescence.



In a dramatic turn of events, two major Southeast Asian nations have recently indicated their decoupling from America in favor of a pivot to China. First came the Philippines' firebrand leader, Rodrigo Duterte, who, breaking with his predecessors, chose Beijing instead of Washington or Tokyo as his first major state visit. To the delight of his hosts, Duterte announced "separation" from the West in favor of aligning with China's "ideological flow." At one point, he declared a self-styled Beijing-Manila-Moscow axis 'against the world'.

Not long after, Malaysian Prime Minister Najib Razak pulled off a similar stunt, declaring

that his country is set to sign "many new agreements and understandings [with China] that will elevate the relationship between our two nations to even greater heights." He praised China for offering "benefits not just for the people of our two nations but also for regional stability and harmony."

Meanwhile, the Malaysian leader decried supposed Western interference in the affairs of regional states, warning them against "lectur[ing] countries they once exploited on how to conduct their own internal affairs today."

*A careful analysis shows that what we are witnessing isn't necessarily a 'Duterte wave' of defections to China at the expense of America.*



**Richard Javad Heydarian**

*Author of "Asia's New Battlefield: US, China, and the Struggle for Western Pacific"*

Both the Philippines and Malaysia supported China's longstanding preference for bilateral (rather than multilateral) settlement of South China disputes. Kuala Lumpur signed a defense agreement with China, including the purchase of advanced naval vessels. Manila, in turn, is exploring a 25-year military deal to allow the purchase of Chinese weapons on favorable payment terms. These are astonishing developments when one considers how, just few months ago, both the Philippines and Malaysia were openly criticizing China's maritime assertiveness in the South China Sea. Under the Benigno Aquino administration, Manila not only likened China to Nazi Germany, but also became the first country to take China to international court over maritime disputes.

In fact, recent years also saw the Najib administration adopting a tougher stance on China's supposed 'intrusion' into Malaysian-claimed waters. During Malaysia's chairmanship of the Association of Southeast Asian Nations (ASEAN) last year, Najib openly called for more regional unity on the South China Sea disputes, a departure from Kuala Lumpur's 'keep it quiet' approach to the maritime spat.

A careful analysis shows that what

we are witnessing isn't necessarily a 'Duterte wave' of defections to China at the expense of America. More likely, it is a temporary recalibration on the part certain Southeast Asian states that are unsure of American commitment to the region and eager to avoid direct confrontation with China, which in turn is offering large-scale investment and trade deals in exchange for strategic acquiescence.

### **Business as Usual**

Three factors explain the Philippines' and Malaysia's recent strategic maneuvers. The most obvious one is economics. During their back-to-back visits to Beijing, Duterte and Najib secured tens of billions of dollars in investment and business pledges.

On the part of private sector, Southeast Asian businessmen are interested in gaining wider market access to China's billion-strong consumer market, which is rapidly approaching the high-income level. Amid rising labor costs in China, local manufacturers are interested in tapping into lower production costs in labor-rich Southeast Asia; so, there is huge room for expansion of opportunities for bilateral business-to-business relations. No wonder

*As a relatively new player in the regional investment landscape, which has been traditionally dominated by Japan and Western countries, China is offering huge packages of technical skills and soft loans for turbo-charged infrastructure projects.*

that practically every single Filipino business tycoon, many of whom are of Chinese descent, accompanied Duterte during his visit to Beijing.

Of bigger concern is the potential for China to become the premiere supplier of affordable public infrastructure for neighboring countries. It is a prospect that has gained credence with the emergence of Chinese telecommunication giants such as Huawei and ZTE, and their drive to 'go abroad' at a time of overcapacity at home, coupled with the timely establishment of the Asian Infrastructure Investment Bank (AIIB), which is intent on filling the massive infrastructure gap in Asia. According to the Asian Development Bank, the region confronts an \$8 trillion infrastructure-spending gap.

For instance, Beijing could play a critical role in developing the basic infrastructure of Mindanao, Duterte's war-ravaged home island, which is in dire need of capital infusion, technology, and connectivity. As for Malaysia, Beijing is expected to help build a \$15 billion high-speed rail project between Kuala Lumpur and Singapore. As a relatively new player in the regional investment landscape, which has been traditionally dominated by Japan and Western countries, China is offering huge packages of technical skills and soft loans for turbo-charged infrastructure projects.

### 'China Card'

Moreover, both the Philippines and Malaysia are wary of continued confrontation with China over the South China Sea disputes. Uncertain about America's commitment to the region, exacerbated by the countries' respective polarizing domestic politics and continued economic troubles, Southeast Asia partners doubt they can hold their ground against China for long. This is especially true in the case of the Philippines, which has struggled to secure sufficient military assistance and commitment from America over the South China Sea disputes.

Duterte has correctly pointed out that Washington never clarified whether it would come to its ally's rescue over the disputed land features in the area, and Manila laments the relatively limited and low-quality military assistance it receives from its chief defense partner. So, they'd rather cut deals with China than risk a confrontation without clear American backing.

More importantly, both Duterte and Najib have more personal reasons to engage in tirades against America and openly flirt with China. On his part, the Malaysia leader confronts a massive corruption scandal, which may lead to a showdown with the U.S. Justice Department authorities. As for Duterte, he is facing increasing

*By dangling the 'China card,' both Southeast Asian leaders are signaling that they have alternative options and would proceed with full reorientation of their foreign policy, if necessary.*

*It is premature to declare the Obama administration’s “Pivot to Asia” policy as a failure, since Washington has made huge strategic headway and China continues to face problems in its near periphery.*

vocal American criticism of his controversial war on drugs.

Furthermore, there are signs that America is beginning to reconsider some of its aid to the Philippines on human rights grounds. Prominent members of the U.S. Senate are also beginning to chime in. By dangling the ‘China card,’ both Southeast Asian leaders are signaling that they have alternative options and would proceed with full reorientation of their foreign policy, if necessary.

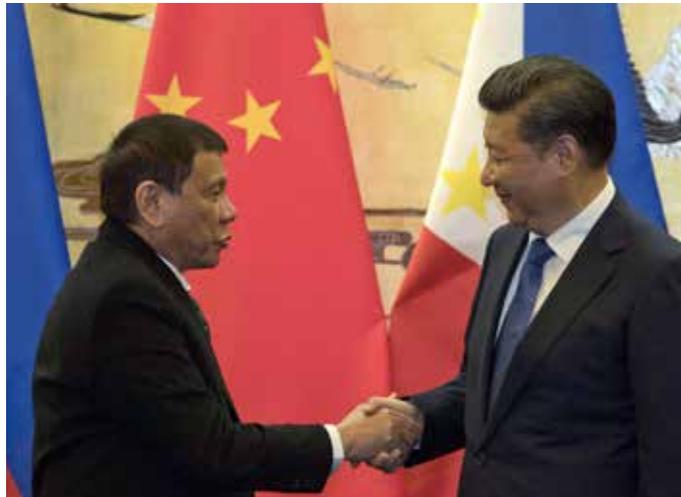
### Fluid Landscape

The bigger strategic picture reveals a mix of strategic gains and setbacks for both American and China in recent years. It is premature to declare the Obama administration’s “Pivot to Asia” policy as a failure, since Washington has made huge strategic headway and China continues to face problems in its near periphery. In Taiwan, China confronts a pro-Independence ruling party, which is expanding defense cooperation with Japan and America. China’s charm offensive towards South Korea has rapidly soured in recent years.

Traditional allies such as Myanmar have moved

closer to the West and Japan, while fellow Communist states, such as Vietnam, have rapidly developed robust military cooperation with America. Even China’s erstwhile ally, North Korea, has begun to openly defy its patron like never before.

Nevertheless, it is clear that China has at least managed, so far, to avoid the formation of a coherent counter-coalition in the ASEAN, with major members such as Malaysia and the Philippines opting for direct engagement with China and reconsidering their relations with America. The Obama administration’s successor will have to deal with this fluid and uncertain strategic landscape, which demands patience, commitment and a depth of understanding.



*Philippine President Rodrigo Duterte (left) and Chinese President Xi Jinping shake hands after a signing ceremony in Beijing, China, Oct. 20, 2016. Duterte’s visit aimed at seeking trade and support from China by setting aside a thorny territorial dispute. (Xinhua Photo)*

# A Survival Guide to Interesting Times

Today, from American voters in an ugly U.S. election season to the rhetoric of newly elected Philippines President Duterte, we are hearing widespread anger against the governing structures of our time, against inequality and elitism. This sense of disempowerment is real and understandable. Our challenge, as individuals in this era of discontent, is to ensure that we can still come together to move forward and improve the lives of all.



*That blessing, or curse, of interesting times might not bode well for U.S.-China relations, as nations turn inwards to address the challenge of relatively slow to no-growth economies.*

From Beijing to Brexit, we find ourselves in interesting times. And as Europe is showing, there may well be no near-term exit in sight, as the world's economies continue to muddle along.

That blessing, or curse, of interesting times might not bode well for U.S.-China relations, regardless of the outcome of U.S. elections, as nations turn inwards to address the challenge of relatively slow to no-growth economies.

Just more than a hundred days have passed since Theresa May took office as Great Britain's Prime Minister [on July 13]. Yet, there and elsewhere, many critical questions remain unanswered.

The economic implications of Brexit and its implementation are still emerging as businesses seek clarity to make decisions that will impact numerous jobs and lives. This includes many Chinese and American companies who have set up European operations in London.

Britain's exit from the European Union will have limited direct

impact on the economies of Asia. Yet, as Asia analyst Meera Kumar and I have argued in opinion pieces appearing across Asia, how Brexit unfolds will have serious implications on attitudes toward international agreements, the role of the nation state, open borders and trade, among other issues.

All this is of consequence to China and the United States, as well as of the entire Asia and the Pacific, a region still struggling in its own efforts toward greater regional economic and political cooperation.

More critically, an even broader question has come to the forefront. Are people demanding a new global order – on both sides of the Atlantic and across the Pacific in China as well?

Brexit has shaken many assumptions. Globalization's benefits, the power of open borders and free markets, existing development models, and the sense that a new, more "progressive" identity was being created can no longer be taken for granted.



**Curtis S. Chin**

*Former U.S. Ambassador to  
Asian Development Bank*

Today, from American voters in an ugly U.S. election season to the rhetoric of newly elected Philippines President Rodrigo Duterte, we are hearing widespread anger against the governing structures of our time, against inequality and elitism.

Our world has entered an era of global discontent. Brexit is just one of many signals of the deep divisions – economic and social – that characterize many countries today. A sense of disillusion is felt increasingly across the world that the much-touted benefits of globalization have left large swaths of people behind. China too has not escaped the challenge of rising inequality.

Globalization is under attack for the inequalities it has created, the sense of marginality amongst working classes of developed countries, and an alienating feeling that no community controls its own destiny. Power had been ceded to an elite that in many places is losing its mandate to rule.

This sense of disempowerment is real and understandable. But is globalization really the

root of this? Are there other underlying causes? The jury is still out on these questions.

Amid widespread angst and discontent, in developed and developing nations, the gap between city and country, rural and urban areas, is growing so rapidly that citizens may wonder if indeed they belong to the same nation state. Chinese President Xi Jinping's battle against corruption was a critical topic, reportedly, amid the back-room discussions and maneuvering at the most recent meeting of the Chinese Communist Party's central committee.

Inequality has always existed, even in self-described socialist or Communist nation states, such as China. But today's connected citizenry is less willing to accept the status quo of inequality. Generations in quick touch with the realities of the world through television and social media are less resigned to destiny and fatalism and are challenging the existing economic order.



*Demonstrators chant slogans "not my president" as they march in New York during the anti-Trump protest, Nov. 13, 2016.*

This is as true in China or Brazil as in Britain or the United States. The demands of a restive population need to be addressed.

How Britain manages the fallout of its exit

*More critically, an even broader question has come to the forefront. Are people demanding a new global order – on both sides of the Atlantic and across the Pacific in China as well?*

*Today, from American voters in an ugly U.S. election season to the rhetoric of newly elected Philippines President Rodrigo Duterte, we are hearing widespread anger against the governing structures of our time, against inequality and elitism.*

from the European Union remains a work in progress, but the world is already reacting as leaders reshape their approaches to integration, immigration and nationalism.

Brexit has taken the romance out of regional integration projects that might have used a once-rising and inclusive Europe as a model. The 10 nations of the Association of Southeast Asian Nations are a case in point. The not quite one-year-old ASEAN Economic Community – akin to but much less ambitious than Europe’s grand experiment – is touted now as showing the wisdom of a go-slow and ultimately wiser approach to regional integration and cooperation.

Brexit’s victory at the ballot box also has strengthened “right wing” and parochial tendencies in large parts of continental Europe. Politicians taking a lesson from the Brexit campaign’s rhetoric must now be more circumspect about “open immigration.”

The call of nationalism has become a powerful one. In an age of fractured media and financial crisis, it is refreshingly simple to attract a hard core of passionate voters with a populist, nationalist message. Witness election politics in the United States today, the ascendance of Duterte in the Philippines, and the rise of Marine Le Pen in France.

Nationalism can be a unifying force for good. History, however, has shown that the forces of nationalism, once unleashed, are not easily contained. Blaming shadowy foreign powers and immigrants is much easier than analyzing the root cause of economic problems and devising a strategy to overcome them.

Another implication of Brexit is a generational one. With technology’s growing disruptive force, the millennial generation of the developed world has lost the certainties that the post-World War II generation enjoyed: security of jobs and an ever-expanding economy. They face an uncertain future. Radical promises whether on the left or right offer a siren’s call.

In democracies, voters may well choose to look beyond the hypocrisy and inconsistency of anti-elite

*Our world has entered an era of global discontent.*

*Nationalism can be a unifying force for good. History, however, has shown that the forces of nationalism, once unleashed, are not easily contained.*

politicians. In countries ruled by other forms of government, the pressures and conflicts may be less seen or discussed, but they also exist. No matter how Brexit unfolds or the U.S. election concludes, the sense of betrayal by and distrust of the elites is likely to endure there and elsewhere.

What remains to be seen is how our leaders will address this discontent and anger. Witness the Philippines, where Duterte has, at least in words, turned his nation's domestic and international politics upside down with his growing embrace of China.

Our challenge, as individuals in this era of discontent, is to ensure that amid the madness, our own sanity endures. Even more so, our shared challenge is also to ensure that we can still come together to move forward and improve the lives of all.



*Pro-Brexit demonstrators protest outside the Houses of Parliament on November 23, 2016 in London, England. (Photo by Jack Taylor/Getty Images)*

# 'Make Globalization Great Again'

Despite populist reservations in the US and UK, the international community has become intertwined and interdependent, thanks to global free trade and investment. Cooperation to tackle global challenges will continue while more efforts will address the “global governance deficiency” in promoting social justice and fairness.



**He Yafei**

*Former Vice Minister,  
State Council Office of  
Overseas Chinese Affairs*

There have been upheavals in globalization in the last few years, culminating in the British referendum to withdraw from the European Union and the recent election of Donald Trump to be the next President of the United States. Their rippling effects are still being felt across the globe, puzzling many as to the future of globalization. Is it a rollback or rather a new era looming on the horizon?

On the other hand, China has plunged herself into global governance with a greater determination. The G20 Summit in Hangzhou in September has produced a shining report card with many new ideas for furthering globalization while overcoming its “negative impact” on social justice and fairness. President Xi Jinping recently delivered



a much-welcomed speech at the Lima APEC Leaders Meeting outlining China's continuous efforts to promote global free trade and investment with particular reference to quicken the pace of negotiation on an APEC Free Trade Agreement.

The US is no doubt a major moving force in the future of globalization. As one American once commented, "globalization is Americanization". Two things appear to be influencing the American engagement in globalization and global governance. The feeling that globalization is no longer on the track of "Americanization" is quite obviously running deep in the US, prompting it to change the rules in global economic governance with TPP and its likes. The other is an overall American strategic retrenchment that focuses more on domestic political and economic concerns with an ever more inward-looking approach to international affairs. That started in earnest early in 2009 when President Obama stepped into the White House and will supposedly continue under a Trump administration.

History will surely not repeat itself, but similarities do often occur. The world is witnessing very likely another round of American strategic retrenchment and further withdrawal from global engagement which will create new paradigms for globalization and global

governance if President-elect Mr. Trump translates his repeatedly uttered "make America great again" by pursuing de-globalization. Of course that is still in the domain of unknown, and future American policy toward globalization needs to be closely observed.

What can almost be safely predicted is that the US under Trump's leadership will backpedal in some critical areas of global governance such as existing free trade arrangements and the American commitment to the Paris Agreement on Climate Change. This has already created much uncertainty around the world about the future of globalization and global governance.

On a positive note, we can rest assured that globalization per se will not disappear overnight or be rolled back across the board. Why? It has promoted global economic growth to an unprecedented degree and knit nations into an interlocked and interconnected web of networks with ever greater interdependence and common interests.

The question that ought to be answered is not about the death of globalization, rather it is about "re-globalization" or "globalization reborn". In other words, the international community is entering a new era of globalization wherein global free trade and investment and cooperation to tackle global challenges

*Expectations are on the rise as to what China should and could do to "make globalization great again".*

*We can safely say that fundamentals of the overall bilateral relationship between China and the US would be firm no matter who resides in the White House.*

will continue while more efforts will address the “global governance deficiency” in promoting social justice and fairness, such as the widening gap between rich and poor both domestically and among nations.

With possible continued American retrenchment and partial withdrawal from global engagement and the resultant shifting paradigm of globalization and global governance, China’s role becomes more prominent and decisive. Expectations are on the rise as to what China should and could do to “make globalization great again”. This will not only be an onerous task for China, but also have a great impact on the future of globalization. Therefore a few suggestions may be in order for China to play a greater role in globalization and global governance.

First, China should continue engaging the US as the new administration comes into office and the process of policy review starts in earnest early next year. Enhancing cooperation both bilaterally and multilaterally will continue to be important on issues of common concern such as trade, investment, energy security,

climate change and counter-terrorism. We all know that consensus and cooperation by the US and China as two major economies and key players in globalization have been essential in determining the pace as well as direction of globalization. We can safely say that fundamentals of the overall bilateral relationship between China and the US would be firm no matter who resides in the White House. As to possible new trade frictions and other differences, I believe that they can be minimized as much as possible through the timely and frequent consultations that have become a regular feature in China-US relations.

Second, China can lead global efforts through the United Nations, G20, BRICS, APEC and other international and regional platforms to combat climate change, promote free trade and investment as well as implement the Sustainable Development Goals (SDGs, also known as the Global Goals) for the benefit of developing nations. Leadership in this connection includes more proactive discussions about and negotiations on safeguarding global governance system while advocating



needed changes to make the system better-suited for the emerging new era of globalization. For example, the Paris Agreement on Climate Change will see its support being undermined should the new US administration go back on its commitment.

Third, China must continue to provide new ideas about global governance including new models of international cooperation. The “Belt & Road Initiative” fits neatly into such a framework where common development and prosperity are the key. China’s experiences and successes in modernization and fast economic growth by themselves are a source of new ideas for other countries, particularly developing ones.

In sum, globalization is always an evolving process with inevitable ups

and downs and not moving in a linear fashion. What we are witnessing today is not “the toss-out of globalization”, but a new era or phase of globalization wherein greater and more complicated challenges become the order of the day. Therefore we need concerted efforts more than ever to ascertain the big trends as well as individual difficulties and work out consensus and solutions for collective actions to “make globalization great again”.

## **About China-United States Exchange Foundation**

Based in Hong Kong, the China-US Exchange Foundation was established in 2008 by individuals who believe a positive relationship between the strongest developed nation and the most populous, fast-developing nation is essential for global wellbeing. The Foundation is a non-government, non-profit entity and is privately funded.

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China-US Focus, published by the China-United States Exchange Foundation, is built on the principle that China and the United States hold the most important bilateral relationship of the 21st century.

China-US Focus is the only open-platform where Chinese and American thought leaders can openly express their views on the myriad issues that face the two nations, thus promoting communication and understanding between the peoples of China and the United States.

China-United States Exchange Foundation  
15/E, Shun Ho Tower  
24-30 Ice House Street, Central , Hong Kong

Tel: (852) 2523 2083  
Email: [digest@cusef.org.hk](mailto:digest@cusef.org.hk)  
Website: [www.chinausfocus.com](http://www.chinausfocus.com)

Editor's Email: [zhang.ping@cusef.org.hk](mailto:zhang.ping@cusef.org.hk)

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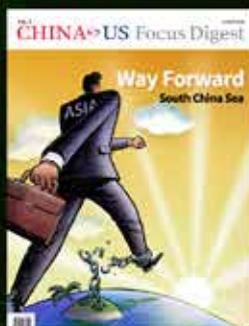
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