

As Xi Tightens His Grip on China, U.S. Sees Conflict Ahead



President Trump with President Xi Jinping of China in November in Beijing. For all his criticism of China as an economic predator, Mr. Trump has yet to impose a sweeping trade sanction against it. Credit Nicolas Asfour/Agence France-Presse — Getty Images

WASHINGTON — A few weeks after Stephen K. Bannon left the White House in August, he was invited to a dinner at the Council on Foreign Relations to discuss American policy toward China. With his unbridled China bashing and dark talk of a looming conflict in the Pacific, Mr. Bannon expected to be roughed up by the group, which included China scholars, writers and veterans from past Republican and Democratic administrations.

Mr. Bannon's hosts were hard on him, but not in the way he expected. Rather than faulting him or his former boss, President Trump, for their hostile approach, they pressed him on why Mr. Trump had not followed through with his tough talk

about trade and North Korea. “I walked out of there thinking, ‘Something has changed with the elite,’” he recalled.

China’s relentless rise and its more recent embrace of repressive tactics that recall the Mao era — a process accelerated by President Xi Jinping’s bid to stay in power indefinitely — have fractured a deeply rooted consensus in Washington about the long-term direction of its relationship with Beijing.

Gone is a widespread agreement among diplomats, scholars and businesspeople that China is gradually converging with the United States and, therefore, that Americans should work to manage any flare-ups between the two countries. With China now unabashedly charting its own course — one that diverges rather than converges with the liberal democracies and market economies of the West — conflict, many say, is inevitable.

“Even those who are the most optimistic, hopeful and in some ways romantic about the U.S.-China relationship have been forced to confront a new China,” said Kurt M. Campbell, who, as an assistant secretary of state for East Asian affairs, was an architect of the Obama administration’s policy of pivoting toward the East.

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Mr. Xi's power grab has thrown this new China into stark relief, "exacerbating the fault line that already exists between China and the liberal democracies of the world," said Orville H. Schell, the director of the Center on U.S.-China Relations at the Asia Society.



A decorative plate featuring an image of Mr. Xi next to a statue of Mao Zedong at a souvenir store in Beijing. Credit Greg Baker/Agence France-Presse — Getty Images

The disillusionment with China, he said, began setting in long before Mr. Xi cemented his grip on the Politburo. Be it saber-rattling in the South China Sea, proselytizing on American college campuses, theft of corporate secrets or

censorship of the web, China has alienated one constituency after another in the United States.

“The military is gone, the press is gone, the intellectuals are gone, civil society is gone and now the businessmen are gone,” said Mr. Schell, who arranged the dinner for Mr. Bannon and has deep ties to China. “If you’re taking the long view, you’d have to say we’re on diverging pathways.”

Beyond a general spike in tensions, however, the results of this widening divide are difficult to predict, experts and former officials said, because it is occurring against a backdrop of uncertainty in Beijing and Washington.

Mr. Xi’s ascension, experts said, reflects not only his formidable power but also China’s economic instability. Markets were rattled by news last week that the Chinese government seized the Anbang Insurance Group, a debt-ridden conglomerate that owns the Waldorf Astoria hotel and once negotiated to invest in a Manhattan skyscraper owned by the family of the president’s son-in-law, Jared Kushner.

Mr. Trump’s handling of China reflects not only his protectionist trade agenda and America First foreign policy, but also his reluctance to antagonize Mr. Xi personally — a peculiar deference that prompted the tough questions directed at Mr. Bannon over dinner.

For all his thunderous criticism of China as an economic predator, Mr. Trump has yet to impose a sweeping trade sanction against it. He declined to label China a currency manipulator last year because he said the timing was bad: Mr. Xi had agreed to help the United States press North Korea to curb its nuclear and missile programs.

“China, we probably lost \$504 billion, last year, on trade,” Mr. Trump said on Monday at a meeting with governors, a day after Mr. Xi’s bid to lead indefinitely became public. But he added: “I think that President Xi is unique. He’s helping us with North Korea.”

The White House is preparing tariffs on steel and aluminum that would target China and other exporters. It has conducted an investigation into China’s theft of intellectual property, which could result in restrictions on Chinese investment in the United States and retaliatory measures against its consumer electronics

products.

Domestic politics, in a year of midterm elections, may drive Mr. Trump to take a harder line. Democrats, who are historically closer to Mr. Trump on trade than most Republicans, have signaled that they will use the president's tough-on-China stance against him if he does not act soon.

"Now that it's clear that President Xi isn't going anywhere, getting tough on China is even more of an imperative," said Senator Chuck Schumer of New York, the Democratic leader. "If President Trump and Congress don't crack down on their rapacious trade practices," he added, "China will continue eating our lunch for years to come."

Corporate America has long acted as a lubricant for the relationship, prodding the United States to bring China into the World Trade Organization and lobbying against punitive trade practices. But after years of struggling to break into the Chinese markets, suffering the theft of their corporate secrets, many American companies are exhausted.

"You're hearing businesses that work in China use words like reciprocity and retaliation far more than you ever have," said Scott Mulhauser, a former chief of staff at the American Embassy in Beijing. "Folks are increasingly frustrated and wrestling with how best to deal with it."

The frustration is not across the board: Manufacturers tend to be more fed up than Wall Street, which continues to do lucrative investment-banking business with the Chinese government. Technology companies have soured on China, though the market is so vast that they are still willing to consider concessions they would make nowhere else in the world.

The Trump administration reflects those fissures. Advisers like Gary D. Cohn, director of the National Economic Council, and Treasury Secretary Steven Mnuchin, who both worked at Goldman Sachs, have persuaded Mr. Trump to hold off on tough trade measures against China in the past.



A demonstrator in Manila protesting China over its expansion of military outposts on disputed islands in the South China Sea. CreditBullit Marquez/Associated Press

But there are signs that the White House's nationalist wing is ascendant. Peter Navarro, an economist whose books include "Death by China" and "The Coming China Wars," is to be promoted, and his ideas seem again in vogue with the president.

On the issue of national security, the administration enshrined a harsher stance toward China in the president's National Security Strategy. The report characterized China in Cold War-like terms, as a revisionist power that will try "to erode American security and prosperity."

China's influence on bastions of higher education has also come under scrutiny. The director of the F.B.I., Christopher A. Wray, testified recently that he believed universities were underestimating the ability of Chinese students to collect valuable national security intelligence. He expressed concern about the Confucius Institute, a global learning network sponsored by the Chinese government, whose expansion has elicited criticism over whether it is a tool to influence public opinion about China.

By itself, some former officials said, Mr. Xi's move to stay in power should not augur greater conflict with the United States. He is expected to elevate Wang Qishan to vice president and give him a major role in managing the relationship. And he dispatched a senior economic adviser, Liu He, to Washington this week to meet with the administration. Both men are respected in the United States.

"I don't think there's something inherent in dictatorships and one-man rule that causes clashes with U.S. interests, other than, of course, the conflict in values," said Jeffrey A. Bader, a former China adviser to President Barack Obama.

For some China hands, the wave of disillusionment reflects unrealistic hopes about how much China was ever going to converge with the United States. John L. Thornton, a former Goldman Sachs president who has taught at Tsinghua University in Beijing, said that in a chaotic world, the two countries should focus on what unites, rather than what divides, them.

"At one end of the spectrum is order and at the other end is disorder," Mr. Thornton said. "China and the United States are clearly on the same end of the spectrum."

Ana Swanson contributed reporting.

Source: <https://www.nytimes.com/2018/02/27/us/politics/trump-china-united-states.html>

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