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[Looking West](#)

Trump, China, and Europe

What Remains of the “Pivot to Asia”

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Donald Trump's presidency has brought numerous global changes, not least for the Indo-Pacific region. In addition to the confrontational trade policy that primarily affects China, other countries in the region have also faced numerous challenges in the past two years.

Trump's Withdrawal from the Trans-Pacific Partnership

The US's withdrawal from the Trans-Pacific Partnership (TPP) that Trump initiated was a blow to many US partners in the region. Especially countries like Japan, which hoped to stimulate its stagnating economy with export growth, had invested a great deal of effort and hope in the trade agreement. Suddenly they were faced not only with a failed economic project that they had seen as a central concern, but also with accusations of unfair trade practices and of failing to do anything to reduce the bilateral trade deficit. The result was a tarnished US reputation as a reliable partner amongst its allies in the region. This affected not only economic, but also security policy interests. Under Trump's predecessor, Barack Obama, TPP was seen as a counterweight to China's growing influence in Asia. Beijing's self-confident and strategic approach has, for some time now, challenged the US in its role as a stabilising power in the Pacific region. Scarcely anyone has emphasised this more than Donald Trump. Accordingly, the geopolitical considerations behind TPP would have very much overlapped with Trump's ideas. From his point of view – which was shared even by his presidential rival, Hillary Clinton – the expected trade disadvantages of the treaty outweighed any benefits. In April 2018, however, Trump announced that the US might return to the Trans-Pacific free trade agreement on the condition that it be renegotiated.¹ The US's absence from the Comprehensive and Progressive Agreement for Trans-Pacific Partnership, which was finally signed by the remaining eleven countries in March 2018, does not mean, however, that Trump intends to give China a free hand in the region – quite the contrary.

Barack Obama attempted to shift the geopolitical focus from the Near and Middle East to the Asia-Pacific region with his “pivot to Asia”. However, he lacked both the time and a comprehensive strategy for establishing the US as the most important trading partner and security guarantor in Asia. Since Trump took office, the pillars of the US's Asia strategy have been the Free and Open Indo-Pacific concept and the Quadrilateral Security Dialogue. Alongside India, Japan, Australia, and other partners, the US is de facto striving to counterbalance China's growing influence in the region. The Indo-Pacific concept was originally developed and pitched by Japan's Prime Minister Shinzo Abe in 2007, when he originated the Quadrilateral Security Dialogue as an informal strategic dialogue format between the US, Japan, Australia, and India.² However, due to the disagreement among these countries about how to deal with China, the initiative has not yet produced any concrete results. This can be seen in the example of India, which has steadfastly refused to participate in any alliance formed to oppose China.³ At the November 2017 Association of Southeast Asian Nations (ASEAN) summit in the Philippines, the heads of state of the four “Quad States”, also present, still agreed to revive the initiative.⁴ Moreover, the concept of a free and open Indo-Pacific should not be discussed without the countries of Southeast Asia, who not only see themselves as the geographical heart of the Indo-Pacific, but also claim a shaping role in the strategy. The fact that this is also creating a difficult situation for ASEAN states is illustrated by the example of Vietnam, whose foreign policy goal is to maintain a balanced relationship with both the US and China. Like most other Southeast Asian countries, it is closely economically intertwined with China in terms of trade

deficits, and is not interested in jeopardising loans, investments, or moderate political dealings. Nevertheless, there have been repeated territorial disputes with China in the South China Sea, which means that strengthening the principle of freedom of navigation and increasing US presence in the region are very much in Vietnam's security interests. Moreover, since there is a lobby for free, safe shipping routes because of trade policy reasons, Vietnam is very receptive to the American initiative for a free and open Indo-Pacific.

Further north, South Korea finds itself in a similar situation. The country has enjoyed US military protection for decades and has close economic ties to the US. In addition to this, it has a tense relationship with China for historical reasons. Despite all of this, South Korea is unable to position itself clearly in opposition to the People's Republic. A quarter of South Korean exports go to China, and the majority of tourists in South Korea come from China.⁵ Trump's attempt to convince President Moon to join the Indo-Pacific initiative during a personal meeting in November 2017 ultimately failed. South Korea does not intend to take a clear position between China and the US. In addition to close economic integration, the process of rapprochement between the two Koreas is an important consideration in this approach. Seoul knows that China, North Korea's neighbour and most important ally, plays an important role in ensuring peace on the peninsula. Trump, who put China under greater pressure to enforce UN sanctions more stringently against Pyongyang, is also aware of this. In addition, there have been several rounds of talks between American and Chinese leaders, but they have recently been overshadowed by the contentious trade policy, which could also be an obstacle to negotiations aimed at the denuclearisation of the Korean peninsula.

Free Trade without America?

Because of the geographical distance, EU countries sometimes pursue their interests in the Asia-Pacific region by means which differ from

those of the US. The countries of the EU – not least among them export nation Germany – also have a great interest in ensuring that maritime trade routes in East and Southeast Asia are not shut down by military confrontations. Nevertheless, the US is the only Western country whose geostrategic interests are such that it feels forced to assert its claim to leadership in the Pacific region with regular fleet manoeuvres, thereby also countering Chinese ambitions by military means. Germany's efforts in the region focus primarily on asserting value-based development policy interests, such as: ensuring peace, protecting human rights, strengthening civil society, and creating economic and social prospects for young people in order to deprive terror and extremism of a breeding ground; as well as economic and global interests, such as protecting resources and climate. Germany chooses to pursue many of these goals within the framework of the EU, as opposed to bilaterally.

Since Trump's inauguration, European and Asian players have had to assume more responsibility and cooperate more closely.

The Asia-Europe Meeting (ASEM), in October 2018, demonstrated once again how closely EU countries cooperate with Asian states. While, in the past, most European actors and a large number of Asian countries sought close coordination with the US, they have had to take on more responsibility themselves since Donald Trump took office and withdrew from global treaties and multilateral institutions. The Iran deal, the Paris Agreement, free trade agreements, and the long-overdue reforms of the WTO are only a few examples of central EU concerns whose implementation will require more dedication of EU member states and, perhaps, other partners besides the US. In terms of free trade, the EU and Asia have already achieved some successes, which have sent a clear signal against

protectionist trade practices and in favour of multilateral cooperation. For example, the EU has successfully concluded free trade agreements with Japan, Vietnam, and Singapore respectively.

However, the EU also sees new challenges emerging in Asia. For instance, China's intensive activities within the framework of the Belt and Road Initiative are being observed by the EU with a critical eye. The EU Commission introduced a plan in September 2018 that is intended to provide billions of euros in European funds for traffic, energy, and digital infrastructure projects both in and with Asia.⁶ The focus is on sustainable projects in which labour rights and environmental standards are upheld, and political and economic dependencies are avoided. This so-called Connectivity Strategy is a first important step towards enhancing the infrastructure connection between Europe and Asia, but the concept paper remains very vague in many instances, and describes approaches to matters such as financing connectivity projects in insufficient detail. At the moment, the plan can be seen as an important signal to the Asian states, but it remains very difficult to assess whether or not the planned measures will constitute an attractive alternative to Chinese connectivity initiatives in the region. Although the plan is not officially directed against China, it is a clear response to the Belt and Road Initiative which is often criticised by Brussels for promoting less sustainable and loan-dependent projects which create dependencies in impecunious third-party countries. Europeans also share many of the US's criticisms of China on trade policy issues. However, the approach taken by Germany and the EU to resolve these disagreements differs greatly from the US's China policy.

Trump's Tough Line on China

Scarcely any topic has dominated China-related media coverage in recent months as much as the trade war between the People's Republic and the US. Even during his presidential campaign, President Trump accused China of unfair trade practices, currency manipulation, and illegal

activities, such as theft of intellectual property. In July 2018, the US government finally began to act on these accusations by imposing its initial punitive tariffs on Chinese imports. Since then, the two countries have been imposing higher and higher tariffs on more and more of each other's products. While the US ostensibly focuses on the enormous trade deficit of 335 billion US-Dollar, the American punitive tariffs on goods, now worth 250 billion US-Dollar, are actually retribution for Trump's long-expressed points of criticism, for which Beijing is now being made to pay.

The unfair trade practices of which Trump accuses China mainly relate to government subsidies, and the resulting market distortions, such as the "flooding" of the American and global markets with cheap steel and aluminium exports. A further thorn in Trump's side are one-sided transfers of technology and know-how which are a result of the joint venture pressure that remains widespread in many industries in China. The lack of reciprocity in matters of investment – open markets in the US and Europe, as opposed to the heavily regulated Chinese market – was the reason Western governments had already begun taking a closer look at Chinese investments even before Donald Trump took office. But the idea here is not to block all investment from China, but to meticulously examine foreign investment in critical infrastructures and key technologies, and to investigate their sources more carefully. With regard to investments by state-owned companies in particular, such as those that often come from the People's Republic, Western governments want more transparency with respect to ownership and financing.

During the last few months of the Obama administration, US security agencies warned the German federal government against selling Aixtron, a German chip plant manufacturer, to Chinese investors. The successful takeover of the Augsburg robot manufacturer Kuka by the Chinese Midea Group had already aroused criticism, so the sale of Aixtron was able to be avoided. Both the American and German



In cold print: In July 2018, the US government began to impose its initial punitive tariffs on Chinese imports.
Source: © Jonathan Ernst, Reuters.

governments analyse Chinese investment in their own countries and increasingly criticise investment conditions in China. Yet, the eagerness on the part of German and American companies to enter the Chinese market continues unabated for the time being, despite growing dissatisfaction with regulations and restrictions. But it is just this eagerness that Trump intends to massively reduce. He regularly exhorts US companies not to have their goods produced in China or other low-wage countries, but in the US. With this policy, he not only wishes to secure or create jobs in the US, but also to stem the flow of technology and knowledge to China. This is ultimately where the punitive tariffs against China come into play. A large part of the Chinese products to which tariffs were applied in July come from industries promoted by China's "Made in China 2025" industrial strategy. The US government is not only concerned with trade issues, but also with curbing China's ambitious

development programme that is intended to make the People's Republic the world's leading industrial nation by 2025.

These industrial and trade policy measures are components of the current US policy on China, which views the latter's economic rise as a strategic problem. The US National Security Strategy, published at the end of 2017, like the National Defence Strategy, published shortly thereafter, identifies China as one of the three greatest challenges facing the US and says that it, like Russia, challenges American "power, influence, and interests" and attempts to erode "security and prosperity" in the United States.⁷ Many of Trump's criticisms of China coincide with those levelled by the Obama administration. Obama put pressure on the People's Republic especially with regard to state-sponsored overproduction. The biggest difference may well be that Obama's administration used

WTO channels to engage in an open discussion about the disagreements, while Trump now publicly condemns China and intentionally circumvents the WTO system. This openly confrontational attitude towards China thus differs from the German and European approach.

Beijing is Not the New Washington!

Germany's policy towards China has long been shaped by the close economic ties between the two countries. While China became Germany's most important trading partner two years ago, the Federal Republic is China's biggest economic partner in Europe by far. Since Donald Trump took office, however, Germany's federal government has found itself in an unprecedented situation with regard to its China policy.

Both Germany and China are affected by protectionist US trade policy.

As early as one month before the first tariffs were imposed on Chinese products, punitive tariffs were also placed on European steel and aluminium exports. This means that both Germany and China are affected by the US's protectionist trade policy, albeit to varying degrees. Both countries also criticised Trump's withdrawal from the Paris Agreement, the Iran nuclear deal, and the multilateral world trade order based on regulatory rules. For the People's Republic, these changes in the US policy offered a welcome opportunity to present themselves as the putatively more reasonable partner on the world stage. The thought of an alliance with Germany and the rest of Europe against the US may well please the Chinese government. However, during the fifth German-Chinese Intergovernmental Consultations, which took place on 9 July 2018, only a few days after the first American-Chinese punitive tariffs came into force, it became clear that Chancellor Merkel wished to avoid precisely this impression of an alliance with China directed against the US.

Although there has been incremental rapprochement with Beijing via the intensive exchange of goods, systemic and ideological differences remain. The US, on the other hand, is a traditional ally who will remain a strategic partner for Germany in the long term despite current differences.

Moreover, the German federal government can clearly identify with some of Trump's criticisms of China. For instance, the loss of intellectual property, market restrictions in China, and, as has been described, concerns about state-controlled strategic investments in key domestic technologies are all big problems from a German perspective. China's "Made in China 2025" strategy – which, incidentally, was modelled on Germany's "Industry 4.0" – targets such industries as automobile, aircraft, mechanical engineering, and plant construction, in which Germany plays an important global role. The successful implementation of China's development strategy would thus entail a loss of relative importance for German companies in this area. At present, concerns about growing competition outweigh prospects of new cooperation and supply opportunities. Nevertheless, China's sheer size and growing middle class ensure that the country will scarcely lose its attractiveness as the most important market for many German companies in the foreseeable future. However, German companies should not allow themselves to become too dependent on China, as the Bundesverband der Deutschen Industrie (Federation of German Industries) recently warned.⁸ At the moment, it remains unclear what scope the trade war between the US and China may take on, and whether Washington will put pressure on Germany to take a clearer position, as it did with the Iran deal. This could create a difficult situation for the German government.

In general, the trade war between the US and China could even be advantageous to the EU. At the moment, the American "punitive tariff" policy seems to be focused more on the People's Republic than on European countries. In addition, Trump is looking for allies in the trade war with China, meaning that he might be quicker



to compromise in points of conflict with European partners, or with Canada or Mexico, in order to then present a united front with these countries. Several EU trade representatives have also indicated that the momentum that Trump has generated with the punitive tariffs against China could be harnessed to persuade Beijing to implement WTO rules more strictly with regard

to state subsidies. An initial – and significantly less confrontational – step in the right direction would certainly be the Investment Protection Agreement currently being negotiated between the EU and China. If it were to be successfully implemented in the near future, the chances that a European-Chinese free trade agreement would be considered would rise significantly.



Outdated industrial policy: With his protectionist measures towards China, Trump wants, among other things, to retrieve American jobs.

Source: © Joshua Roberts, Reuters.

conditions that would make it more difficult for European countries to reach a similar agreement with China. In the newly negotiated free trade agreement between the US, Mexico, and Canada, there is already a clause enabling signatory countries to withdraw from the agreement if one of the others enters negotiations on a free trade agreement with non-market economies such as China.¹⁰ If the US places similar conditions on the agreement with the EU and countries such as Japan, Trump would be one step closer to his goal of isolating China in the global trading system. However, in order to achieve fair trade, as the EU and the US have been demanding, Brussels and Washington should refrain from imposing punitive tariffs on each other. Germany's free trade agreements in Asia and the progress of the US relating to the free trade agreement with Mexico and Canada illustrate that solutions can be found that benefit both sides and that free trade is not a zero-sum game. Only together can the EU and the United States ultimately adjust the existing system in such a way as to ensure that countries that have previously benefited disproportionately from the current trading system play by the same rules as they do. What is certain, is that existing institutions can only be reformed to create fair conditions for all sides with the help of China, which has, after all, declared support for multilateral institutions such as the WTO and free trade.

-translated from German-

To reach such a point, however, numerous rounds of talks and, most importantly, the opening of Chinese markets would be necessary. Recently, EU Commission President Juncker ruled out negotiations for a free trade agreement with China, at least in the short term.⁹ In addition, it would be possible for the US government to link a free trade agreement with the EU to

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