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## The US and Asia in 2018

*North Korea Easing, Confronting China*

### ABSTRACT

A summit with North Korea's leader in June saw President Trump greatly ease regional tensions created by his earlier maximum pressure policy against North Korea's nuclear weapons program. He also launched punitive tariffs to change trading relations to US benefit, with adverse impact on regional economies. China became the focus, resulting in a trade war accompanied by a hardening of US policy, foreshadowing intense competition.

**KEYWORDS:** Donald Trump, US, China, North Korea, trade

PRESIDENT TRUMP'S DRAMATIC MOVE on North Korea came in close consultation with leaders of South Korea and Japan. South Korean President Moon Jae-in mediated between Trump and North Korea's Kim Jong Un in the lead-up to the Trump–Kim summit in Singapore on June 12, and helped manage US–North Korean disputes that followed. Trump also praised China's role in facilitating the summit, though he later claimed that President Xi Jinping might be working with North Korea against US interests because of Beijing's trade friction with the US.<sup>1</sup>

Apart from the Singapore trip in June, Trump did not travel to Asia in 2018. There was none of the diplomatic bonhomie that characterized the president's widely publicized 2017 visits to Asian capitals and to Asian multilateral leaders' meetings, and there were few repeats of top-level meetings with Asian leaders in Washington and at the Trump resort in Florida seen that year. Trump's

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1. Robert Delaney, "China Slams 'Absurd Logic' from US after Trump Accuses Beijing of Blocking North Korea Denuclearization," *South China Morning Post*, August 30, 2018, <<https://www.scmp.com/news/asia/east-asia/article/2161920/trump-says-china-making-north-korea-talks-more-difficult>>, accessed January 10, 2019.

absence from the annual APEC summit, the East Asia summit, and the US–ASEAN summit in November 2018 indicated the lower priority he gave to most Asian issues apart from North Korea, trade, and China.

The president overrode differences among his senior leaders on trade policy to launch punitive tariffs and exert political pressure to compel changes in economic relations advantageous to the US. South Korea agreed to a revised free trade agreement and Japan agreed to enter talks on a bilateral trade accord. These came in tandem with US pressure on Mexico and Canada leading to conclusion of a new trade agreement, the so-called US-Mexico-Canada Agreement (USMCA), replacing the NAFTA accord, which Trump had criticized.

China received the lion's share of US administration pressure on trade, and it responded in kind. The trade war was accompanied by the Trump government targeting Chinese policies and practices on a wide range of economic, political, and security issues, bringing relations to their lowest point in decades. The US hardening on China was in line with the administration's national security strategy of December 2017 and its national defense strategy of January 2018, which depicted China as the most important international threat to the US. In Asia, administration officials began to flesh out the contents of their avowed Indo-Pacific strategy, which showed a clear focus on China.

In June, then Secretary of Defense James Mattis described the Trump administration's emerging Indo-Pacific strategy as deepening alliances and partnerships. He stressed that ASEAN remained central to regional stability, affirming openness to cooperation with China "wherever possible." Mattis identified four main themes:

- expanding assistance to partners to build naval and law enforcement capacities to improve monitoring and protection of maritime interests;
- interoperability, to ensure that the US military is able to more easily integrate with others;
- strengthening the rule of law, civil society, and transparent governance; and
- private-sector-led economic development with no empty promises or surrender of economic sovereignty, an indirect swipe at China's foreign lending and investment practices.

In August speeches in the US and Asia, Secretary of State Michael Pompeo announced nearly US\$ 300 million in new US funding to strengthen

maritime security, develop humanitarian assistance and peacekeeping capabilities, and enhance programs that counter transnational threats. He noted a \$113 million fund that will promote public–private partnerships as a down payment on a larger project to rationalize the US development aid bureaucracy to be better able to mobilize and guide private-sector capital. This project, manifest in the Better Utilization of Investments Leading to Development (BUILD) Act, passed by Congress and signed by the president in October, more than doubled the US government’s development-finance capacity, to \$60 billion, to support US private investment in strategic opportunities abroad. These measures complemented efforts by Japan, Australia, and India, often in cooperation with the US, to provide funding for infrastructure and investment needed in the Indo-Pacific in competition with China’s expansive international infrastructure, lending and investment in the so-called Belt and Road Initiative (BRI).

#### **NORTH KOREAN THAW**

The Singapore summit between Trump and Kim resulted in a statement noting agreement on four areas: new relations, a new peace regime, denuclearization, and return of US war remains. In the following months, only the last showed progress. Critics of the summit said Trump was too focused on the theatrics of the meeting; by reducing pressure on North Korea, he lost an opportunity to end and dismantle North Korea’s nuclear weapons program. Supporters of the summit welcomed the easing of tensions and the establishment of a process designed to peacefully change the conflicted Korean Peninsula.

Among salient differences, Secretary Pompeo argued that US commitment to “complete denuclearization” remained paramount, but North Korea seemed focused on establishing a peace agreement on the peninsula prior to denuclearization. US–North Korean differences were linked to the failure of Pompeo’s visit to North Korea in July for talks on the June agreement, and his planned visit to North Korea in August was hence cancelled by President Trump. National Security Adviser John Bolton publicly said in August that North Korea had not taken effective steps to denuclearize.

Trump and Pompeo remained publicly optimistic over the outlook for US–North Korean relations, with the president repeatedly noting his high regard for the North Korean leader. They came to refer to denuclearization as

a process taking two to three years to complete. South Korean President Moon remained optimistic throughout, using his own summit with Kim Jong Un in September to mediate US–North Korean differences. Moon urged President Trump to have a second summit with Kim. Trump praised the September Moon–Kim summit. The White House said in September that a second Trump–Kim meeting had been requested by North Korea and planning was underway. Pompeo visited Pyongyang in October for cordial talks with Kim in preparation, but what progress was made on key issues remained unclear, as did the date and agenda. In an effort to avoid offending North Korea, the US and South Korea announced in October the cancelling of another major joint military exercise, the fourth since the June summit. Amid North Korean complaints about US pressure and media reports of North Korean weapons development, President Trump said via Twitter on Christmas Eve that progress was being made and he looked forward to his summit with Chairman Kim.

Meanwhile, the US found it hard to maintain strong international sanctions against North Korea amid reports of widespread oil smuggling into the North. In July, Russia and China blocked an American request at the United Nations for disciplinary action against the smuggling. In August, the US Treasury Department imposed sanctions against a Chinese firm and a Russian firm and their respective leaders because of their involvement in illicit trade with North Korea.

#### **TARGETING CHINA—INITIAL HARDENING, MUDDLED FOLLOW-THROUGH, 2017 TO MID-2018**

The administration's strategy documents at the turn of 2017–18 showed a remarkable US hardening in the face of the major challenges posed by Chinese military expansion and foreign advances at the expense of American interests. The documents also stressed the importance of US economic strength for the broader security of the US, in view of Chinese policies and practices that undermine or counter American economic power. Subsequently, senior administration leaders gave much more prominence to two sets of issues that heretofore had received limited public attention. The FBI director repeatedly and publicly identified Chinese influence operations, espionage, and cyber activities as the administration's top priority in guarding American domestic security. And in language recalling American Cold War

rhetoric about the danger to the US posed by the Soviet Union's tens of thousands of nuclear weapons, the US Special Trade Representative said a long list of Chinese trade and investment practices collectively posed "an existential threat" to the US economy, which administration strategy saw as the main foundation for American national security.

The implications of the new Trump strategy and concerns for US policy toward China were poorly appreciated by American public opinion, which continued to register longstanding wariness of the Chinese government but preferred to avoid serious trouble with China. For their part, the media also largely missed these concerns as they focused on dramatic pronouncements and personal antics of President Trump as he aimed broad ranging protectionist trade policies toward many countries in order to appeal to his political base. Further obscuring the new direction of the Trump government's hardening toward China were his repeated statements of respect and friendship for Chinese President Xi Jinping and the importance of China in getting North Korea to curb its nuclear weapons. With China's role regarding North Korea at the forefront, Trump reportedly disapproved of the State Department sending a mid-level political officer to Taiwan in a modest upgrading of ties with the island government that nonetheless offended Beijing. He also was said to have shown deference to China when reviewing the guest list of the US delegation to the celebration opening the new building housing the de facto American embassy on the island. The opening celebration coincided with the president's top priority June 12 summit with Kim Jong Un.

Meanwhile, throughout its first year and into the second, the Trump government showed major divisions on trade and economic policy toward China. The departure of Gary Cohn from the Council of Economic Advisors in March 2018 weakened the advocates in the Trump government seeking a resolution of economic disputes through negotiations and compromise. The following trend was an ever tougher administration policy of escalating American economic pressure in the form of strict investment restrictions and punitive tariffs, creating the so-called trade war.

#### **THE WHOLE-OF-GOVERNMENT PUSHBACK AGAINST CHINA**

Congress was in the lead through hearings, communications with the administration, and legislation in quickly falling into line with the Trump government's toughening approaches toward China. Republicans and

Democrats enjoyed rare unity as they added anti-China provisions to the most prominent foreign affairs legislation in the 115th Congress, the FY-2019 National Defense Authorization Act, which passed Congress and was signed by the president in August 2018. The legislation echoed remarks of the FBI director and other officials in calling for an across-the-board hardening of American policy, judging that the dangers posed by Beijing required a protracted “whole of government” response. Special emphasis was placed on countering China’s predatory acquisition of and investment in US high technology firms, seeking dominance in the advanced manufacturing industries critically important to American power and leadership; Chinese influence operations and espionage in the US and abroad; Chinese military expansion in the South China Sea; and Beijing’s efforts to intimidate and coerce neighbors, notably Taiwan.

To many administration and congressional officials advocating US toughening toward China, the stakes were high. In this view, through domestic efforts and widespread infiltration and influence operations and grossly unfair and predatory economic practices, China had reached peer competitor status with the US and was poised to take control of advanced industries determining leadership in the 21st century. The naïve policies of engagement by the US and its allies had enabled China’s rise. An urgent need to protect American national security undergirded the shift they sought away from the privileging of constructive engagement with China in the Barack Obama and previous US governments.

Against this background came the announcement in June of planned steep tariffs on \$50 billion of Chinese higher technology imports seen to have benefited from China’s abuse of American and international intellectual property rights; the announcement in July of planned punitive tariffs of 10% on \$200 billion of Chinese imports; and an August 1 announcement boosting those tariffs to 25% at the end of the year. As the tariffs were implemented in September, the US threatened tariffs on an additional \$267 billion of Chinese imports, to be implemented in 2019 if Beijing retaliated, which it promptly did with punitive tariffs of either 25% or 10%, covering most of China’s \$110 billion in imports of American products.

Vice President Michael Pence inaugurated a new public phase of the Trump toughening against China in a speech in October outlining the wide extent of the US policy shift and its purported durability. Citing the

administration's national security strategy, he detailed key elements in the current administration response to China's many challenges.

Concurrent developments showed China and audiences in the US and abroad the breadth and depth of the US resolve. At the Chinese Embassy national day celebration in Washington in late September, the senior US official in attendance, National Security Council Senior Director for Asia Matthew Pottinger, broke with normal practice, using his toast to assert American readiness to deal with China as a major competitor. National Security Advisor John Bolton followed the Pence speech with a long media interview emphasizing greater American toughness toward China. The US ambassador to Beijing, former Iowa Governor Terry Branstad, who is said to have a close relationship with President Xi based on his repeated visits to Iowa, sharply rebuked China for placing a paid insert in a prominent Iowa newspaper urging voters to oppose Trump government policies.

Meanwhile, among other public rebuffs not seen in past US practice were sanctions imposed on a Chinese company and officials for purchasing weapons from Russia in violation of US sanctions against Russia, as well as the publicized arrest in Belgium during an FBI engineered sting operation and deportation to the US of a Chinese security official allegedly involved in espionage to steal US military technology. Warning against Beijing's intentions in Latin America, the administration in September condemned China's continued expansion of diplomatic relations in the region at the expense of Taiwan, calling the moves adverse to US interests and regional stability. The many bills strengthening US support for Taiwan included a stand-alone Taiwan Travel Act advocating more and higher-level US official visits to Taiwan, and vice versa, which passed the Congress with unanimous approval and was signed by President Trump in March.

US officials also repeatedly attacked what they called Chinese self serving and predatory ambitions seen in Xi Jinping's ever-growing Belt and Road Initiative, which involves a host of Chinese infrastructure building, loans, investments, and port acquisitions around the world. The US opposed continued World Bank assistance of about \$2 billion in loans annually to China despite its prominent economy. It also objected to any IMF bailout for Pakistan that would compensate China for its large-scale "predatory lending" to the country under the rubric of the Belt and Road Initiative. Late in the year, the US administration threatened to pull out of the 1987 INF treaty on intermediate ballistic missiles, in part due to tensions over

Russia's missile threat to Europe, and in part to bolster American efforts to counter the ballistic missile advantage in the Asia-Pacific held by China, which is not a signatory.

Standing in for President Trump, Vice President Pence harshly criticized Chinese economic and military practices, underscoring the administration's hard line for the international audiences in remarks at the annual summits in Asia in November. A result was a negative atmosphere for the Trump–Xi summit of December 1, which called a temporary halt to escalating US punitive trade tariffs against China, pending agreement involving extensive US demands by March 2019.

Further souring relations was the arrest the same day of the chief financial officer and daughter of the president of China's leading telecommunications firm, Huawei, by Canadian authorities in Vancouver for extradition to the US. The US charges involve Huawei's involvement in subverting US sanctions against Iran. Beijing reacted harshly, arresting and detaining Canadians in China; it avoided actions against the US. Indeed, both President Xi and President Trump emphasized the positive in their phone conversation of December 29, with Trump averring that "big progress" is being made in preparation for official talks on economic differences slated for January.

The resulting tensions saw atrophy of the scores of official dialogues used in the past to manage tensions and build positive interchange in Chinese–American relations. The annual diplomatic and security dialogue planned for October was cancelled, apparently by China in response to US sanctions on Chinese firms buying Russian weapons. It did meet in November, with little notable progress. Moreover, the wide range of engagement fostered by many US government departments and agencies with Chinese counterparts became subject to review by the Trump government to assess the benefit for American interests. Unlike in the recent past, when American officials tended to avoid confronting Beijing over various disputes in order to advance such positive programs of engagement with China, the tables had turned, with senior US leaders now giving top priority to countering China's adverse practices with much-diminished concern for negative fallout for any remaining positive interchanges with Beijing.

A significant exception to this trend involves closer US–China cooperation in counter-narcotics efforts linked to the so-called fentanyl epidemic in the US. In 2017, about 29,000 Americans died from overdosing on synthetic

drugs, mostly in the fentanyl class. The vast majority of fentanyl used in the US is manufactured in and shipped from China. Presidents Trump and Xi agreed to take stronger cooperative action during their December 1 meeting. US and Chinese counter-narcotics officials have cooperated closely in what Ambassador Bradstad called “one of the true bright spots in the US-China relationship.”

More ominous for China was the emergence of what many observers in the US, China, and abroad saw as a US-led effort to create a growing united front of like-minded governments targeting Chinese economic and security practices against their common interests. Media reports said Chinese exploitative investment practices seeking dominance in high-technology industries and covert and overt influence operations among developed countries prompted closer collaboration among the US and its allies and partners to share intelligence and adopt mutually supportive countermeasures. Notable results were the tightening of export controls and investment approvals, and strengthening surveillance of Chinese influence operations and espionage in a wide range of developed countries.

As the Trump government achieved some success in employing economic pressures on allies and partners to renegotiate or negotiate new trade agreements, Washington sought to bolster their cooperation based on common concern with Chinese practices. The renegotiated US trade agreement with Canada and Mexico reached in late September had a provision that in effect strongly restricted Canada and Mexico from establishing a free trade agreement with China. Meanwhile, South Korea bent to US pressure and signed a new trade agreement with the US. Japan also saw its interests best served by beginning bilateral trade negotiations with Washington after a long delay, and the US made progress on agreements with the European Union that avoided US tariffs on imported autos.

This bilateral phase, while involving US pressure tactics offensive to the allied governments, appeared not to have dissuaded the partners from working with the US against China. In October, high-level US officials told the media that the deal with Canada and Mexico, and US negotiations with Europe and Japan on how to deal with China’s practices, placed the US in an advantageous position as the trade disputes with China intensified. Meanwhile, the US efforts to mobilize government and private-sector investment in the Asia-Pacific to compete with China enjoyed strong support from Australia and Japan, in particular.

Complementing the above collaboration was greater military cooperation against Chinese advances. With increased funding from Congress, the US military implemented the Trump government's national security and national defense strategies, notably building greater capacity in the Asia Pacific to guard against Chinese advances. It increased the frequency of its so-called freedom-of-navigation operations in the South China Sea by warships and B-52 bombers, which challenged the massive Chinese territorial claim (deemed illegal by a UNCLOS tribunal in 2016). In a departure from past practice, China in October sent a warship to force a US destroyer conducting a freedom-of-navigation operation in Chinese-claimed waters to abruptly change course. The Americans condemned the action.

The American military operations were supported or complemented by Australia, France, Great Britain, and Japan. Leaders of all called on China to conform to the UNCLOS tribunal ruling and cease militarizing Chinese holdings in the South China Sea. As noted earlier, top officials also joined the US in warning against illegal Chinese acquisitions of the high technology of developed countries, and against Chinese covert and other influence operations in their countries. Meanwhile, the US broke with past practice of not publicizing the once-rare passage of US naval ships through the Taiwan Strait. In November, the Trump government for the third time in 2018 publicized the passage of two US Navy warships through the Strait. The frequency appears to be increasing.

## **2019: UNEXPECTED GRIT WITH CHINA, THAW WITH NORTH KOREA**

Entering the new year, the Trump administration's hard line toward China has momentum and wide support in Congress. Critics from previous US governments and proponents of engagement remain on the defensive. China stood firm but seems unclear on how to deal with the unanticipated multi-front American offensive.

Reasons for uncertain forecasts include President Trump's avowed unpredictability. He could derail US pressure by accommodating China and compromising on US concerns in negotiations. The large costs of the US hardening and Chinese retaliation might alienate American public opinion, US businesses, and US stockholders. And US allies and partners in the Asia-Pacific might recoil in the face of China's retaliation and the expense of high

tensions in US–China relations. Meanwhile, progress in talks over economic issues following the Buenos Aires summit could substantially ease tensions, at least for the short term.

The realities challenging President Trump’s avowed optimism regarding North Korea are serious. Whether and under what circumstances summitry continues head the list of reasons for uncertainty going forward.