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White House conducting wide-ranging Review of China policy

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The White House is quietly conducting a comprehensive review of its approach toward China, according to administration officials and outside advisers with knowledge of the plan. The review, which is not yet complete, is a government-wide effort spearheaded by senior staff on the National Security Council and the National Economic Council, who have been quietly working on the plan for months. It stemmed in part from concerns in some parts of the administration that the president lacked a coherent approach to China.

The review will focus on economic issues -- including intellectual property, forced joint ventures, scientific research theft and trade tactics, the sources said. Other potential issues on the table include scrutiny over Chinese investments in the U.S., Beijing's sector-specific industrial policies, cybersecurity and U.S. export restrictions of military use products to the communist nation.

China's policies toward North Korea and its activities in the South China Sea could also be addressed, but one person familiar with the review said it would largely center on economic matters.

A group of senior administration officials -- including trade adviser Peter Navarro, senior adviser Jared Kushner, then-chief strategist Steve Bannon and National Economic Council Director Gary Cohn -- brought the idea for the China policy review to President Donald Trump in June, and the president asked for a plan within 90 days, according to a person familiar with the issue.

"My sense is they've put everything on the table," said a separate outside adviser familiar with the plan. "The way it's been described by some is right-sizing the relationship for what China has become and what it will be going forward."

But it's unclear what specific actions the plan will recommend — or when the plan will reach the president's desk, though sources said the NEC and NSC are nearing completion of an early draft of the report.

The report is expected to include hundreds of policy options, ranging in severity.

"We are always reviewing policies with an eye toward protecting American interests and promoting American prosperity," a White House official said.

Trump's top advisers have long clashed over the administration's approach to China. Before leaving the White House, then-chief strategist Steve Bannon encouraged the president to get tough on China, arguing the country poses a serious economic threat to the United States. Bloomberg Businessweek reported Thursday that Bannon is preparing to start an "outside entity" to "focus U.S. attention — and political pressure — on confronting China more aggressively."

The administration has already taken early steps to face down China, though the wide-scale review is aimed at charting a more holistic approach to Beijing.

Trade investigations that either directly or indirectly target China are already underway. A probe opened last month could result in Beijing being hit with major trade restrictions based on China's alleged violations of intellectual property and policies that force U.S. companies to hand over valuable technology to do business there.

Another investigation launched in May on the basis of national security could squelch any remaining imports of Chinese aluminum and steel, which are alleged to have flooded world markets and depressed prices for U.S. steelmakers. Commerce Secretary Wilbur Ross recently said that effort, which has exposed a rift among Trump's closest advisers and is viewed with skepticism by Republicans in Congress, could be put on hold as the administration tries to secure passage of tax reform.

With Trump expected to travel to China in November, the new strategy could inform his second official visit with Chinese President Xi Jinping.

"This is proving the conventional wisdom that a presidential trip can force some action," said Nicholas Lardy, a senior fellow and China expert at the Peterson Institute for International Economics. "Given the disparate views on China articulated by administration officials over recent months, a coherent policy is really needed."

Senior administration officials have been laying the groundwork for Trump's trip in recent days. Secretary of State Rex Tillerson is there now to discuss North Korea and trade issues. Ross concluded a visit to Beijing earlier this week during which he prepared for Trump's trip by focusing on a range of issues including how to reduce a massive U.S. trade deficit with China.

Trump hosted Xi at his Mar-a-Lago club in April, when he announced a new "comprehensive economic dialogue" to address trade frictions between the countries. The kickoff to that dialogue was a 100-day plan to improve bilateral trade resulting in some early positive developments, including reopening China's market to U.S. beef for the first time in nearly 14 years and other measures that help financial services firms like Citigroup and JPMorgan Chase.

But after the first official dialogue meeting in July the two sides dispensed with any pretense that the gathering yielded anything close to a breakthrough. Ross and Treasury Secretary Steven Mnuchin summed up the much-hyped meeting with a brief statement that amounted

to little more than a “thank you” note to Chinese Vice Premier Wang Yang and other officials that participated.

A month later, Trump opened a trade investigation — under the dreaded Section 301 of the Trade Act of 1974, which gives the president broad authority to impose trade restrictions — that will likely result in action against China for alleged intellectual property violations. After his visit to Beijing this week, Ross said he was looking for “bigger things and more difficult things” to address than what was included in the 100-day plan.

Trump over the past several months has tweeted continual broadsides against China, blaming Beijing for doing little to use its leverage to reign in North Korean dictator Kim Jong-un.

But Trump and his officials have offered cautious praise to Beijing for gradually tightening the screws on North Korea, including through its support of a United Nations Security Council resolution and most recently China’s central bank directing other banks in the country to stop doing business with North Korea.

The administration also temporarily held off on announcing its probe into China’s intellectual property practices as it sought support from Beijing against North Korea at the U.N. Observers say the Trump administration has to move toward a comprehensive China strategy, rather than a transactional approach. But whether Trump’s warring advisers can come up with a cohesive strategy is far from certain, said Matthew Goodman, a senior adviser at the Center for Strategic and International Studies.

Goodman, who developed similar plans while on the White House staff of Presidents George W. Bush and Barack Obama, said Trump’s review should ideally pinpoint the problems with China, define the objectives of this administration and develop a list describing specific actions to take.

“My guess is there is still a struggle for the pen going on,” he said. “We don’t know what exactly the core elements of that strategy will be and the actions that will come out.”