The US and China engaged in tit-for-tat trade actions as bilateral trade talks failed to produce a compromise. The Trump administration doubled down on its characterization of China as a threat to US interests in the National Defense Strategy and “Worldwide Threats” hearings on Capitol Hill. President Trump signed the Taiwan Travel Act, which calls for the US government to encourage visits between officials from the United States and Taiwan at all levels, provoking China’s ire. Cracks in US–China cooperation on North Korea were revealed as the Trump administration imposed sanctions on Chinese shipping and trading companies allegedly conducting illicit business with North Korea, and Beijing failed to notify Washington in advance of Kim Jong Un’s visit to China. The US conducted two Freedom of Navigation Operations (FONOPS) in the South China Sea.
Trade war erupts

On June 15, after months of deliberation, the Trump administration moved forward with its plan to impose 25 percent tariffs on $50 billion worth of Chinese imports. The final decision was made “in light of China’s theft of intellectual property and technology and its other unfair trade practices,” according to the official White House statement. Ignoring President Trump’s threat of further tariffs if China undertook retaliatory measures, China responded in kind with tariffs on 659 US goods worth $50 billion. Both sides traded accusations: Secretary of State Mike Pompeo labeled China’s aluminum and steel production as “predatory economics 101;” and China’s Ministry of Commerce called the US action “a threat to China’s economic interest and security.”

The imposition of tariffs was preceded by a period of negotiations in which compromise seemed possible. In early May, President Trump sent a high-level delegation comprised of senior members of his economic policy team to Beijing for negotiations at the invitation of Vice Premier Liu He. The group included Secretary of the Treasury Steven Mnuchin, Secretary of Commerce Wilbur Ross, US Trade Representative Robert Lighthizer, Assistant to the President for Economic Policy Larry Kudlow, and Assistant to the President for Trade and Manufacturing Policy Peter Navarro. The trip was followed shortly thereafter by a phone call between President Trump and President Xi. Just before the call, Trump tweeted with confidence that a “primary [topic] will be Trade, where good things will happen.” He echoed this assurance in a May 13 tweet, saying “be cool, it will all work out!”

Negotiations moved to Washington in mid-May as Vice Premier He met a series of senior US officials as well as President Trump. The US reportedly presented a list of more than 140 specific demands, including longstanding requests such as approval of applications by Mastercard and Visa to enter China’s domestic payments market. Chinese officials were unable to nail down a deal that they could be confident would stick and satisfy Trump. The talks ended with no signs of progress.

Later that month, however, Trump claimed that a potential deal was “moving along nicely.” Secretary Ross traveled to Beijing in early June to continue the conversation, though the Trump administration’s threat of further tariffs on Chinese technology exports on the eve of the visit soured the atmosphere and signaled that an agreement was unlikely. Trade was touched on but was not the only issue discussed when Secretary Pompeo and State Counselor and Foreign Minister Wang Yi met in Beijing on June 14. Pompeo concluded the talks were “good and constructive” while still emphasizing that the “[US trade] deficit with China is still too high.”

The following day marked the temporary suspension of negotiations as tariffs were formally announced.

While negotiating a fair trade relationship is the overarching US goal, there are competing visions within the Trump administration of what that might look like in reality. Ambassador Lighthizer, as evidenced by his March report on findings from the Section 301 investigation, prioritizes eliminating Chinese practices that his report described as “unfair,” “discriminatory,” “unreasonable,” and “unauthorized intrusions.” In contrast, Secretary Ross appears focused on reducing the US-China bilateral trade deficit by increasing exports to China. Navarro’s policy prescriptions are unclear but aim to defend the United States from what he calls China’s “economic aggression.” Navarro published a report in mid-June that listed more than 50 types of Chinese policies which accused China of seeking to “access the crown jewels of American technology and intellectual property.”

President Trump offered support for all these approaches. Via tweets and speeches at rallies, Trump frequently condemned China’s unfair trading practices. Back in August 2017, he ordered the Section 301 investigation while simultaneously voicing frequent support on
Twitter for the US to cut trade deficits with many countries.

The initial tariffs set the stage for a summer of harsh rhetoric, mutual retaliatory actions, and a stalemate in the US-China trade relationship. On June 16, Chinese Ministry of Commerce spokesperson Gao Feng accused the US of “capriciously initiating the trade war” that both sides once seemed desperate to avoid. In a separate press release, he announced that “[China] will impose tariffs with the same size and force and all the trade and economic achievements reached by [China and the US] will be invalid at the same time.” The US responded in a press release by Ambassador Lighthizer announcing that the president ordered 10 percent tariffs on an additional $200 billion of Chinese goods due to “China’s retaliation and failure to change its practices.” By Aug. 1, this threat escalated from 10 percent to a proposed 25 percent tariff level. In direct response, China quickly threatened to tax an additional $60 billion of US imports including aircrafts and liquefied natural gas.

While many observers criticized what was quickly evolving into a full-blown trade war, President Trump voiced a different perspective on Twitter on Aug. 4, exclaiming: “Tariffs are working far better than anyone ever anticipated. China market has dropped 27% in last 4 months, and they are talking to us. Our market is stronger than ever, and will go up dramatically when these horrible Trade Deals are successfully renegotiated.”

Trade negotiations resumed in Washington DC on Aug. 22-23 between US Treasury Undersecretary Davis Malpass and Vice Commerce Minister Wang Shouwen, but offered little hope for a truce. President Trump prefaced the meeting by telling the media that he did not “anticipate much” to come from it. As the meeting concluded, matching 25 percent tariffs on an additional $16 billion of each other’s imports went into effect. On Aug. 27, Trump seemed unconcerned by the lack of progress, telling reporters: “It’s not the right time to talk, but eventually I’m sure that we’ll be able to work out a deal with China.”

Beijing’s unwillingness to make concessions persuaded Trump that the US had not yet inflicted enough pain on Beijing. On August 30 Bloomberg reported that the administration was preparing to proceed with tariffs on $200 billion in Chinese imports at the end of the public-comment period in early September. Asked to comment on the veracity of the report, Trump told Bloomberg News in an interview that it was “not totally wrong.”

Throughout the summer, intense debates raged in Beijing about the Trump administration’s intentions toward China. A minority group believed that the US sought a trade deal that would level the playing field. The majority group maintained that the trade demands were part of a larger strategy to thwart China’s rise. On Aug. 28, a commentary in the Chinese Communist Party’s mouthpiece People’s Daily suggested that the debate was over, and a judgment had been reached in favor of the majority view. The commentary’s author, Long Guoqiang, vice-president of the State Council’s Development Research Center wrote that “The trade war is not just a measure for the US to gain more economic benefits, it is also an important strategy to contain China.” Long called for “strategic confidence” and strategic patience” in the face of mounting pressure from Washington.

The resuscitation of ZTE

After the US Department of Commerce’s seven-year ban on Chinese smartphone and telecommunications manufacturer ZTE, which would block the company from purchasing crucial materials for its products from the US and effectively shutter its operations, President Trump intervened, apparently following a request from President Xi Jinping. Trump announced on Twitter that supported finding a solution for ZTE, lamenting the likely impact of “too many jobs in China lost.” Secretary Ross was specifically instructed to “get it done,” though Trump appeared to take the lead on finding a compromise as part of what he described as a “larger trade deal [the US is] negotiating with China and my personal relationship with President Xi.”

The decision was harshly criticized by members of the US Senate Banking Committee. They quickly passed an amendment with a 23–2 vote to stop President Trump from removing sanctions from ZTE without verifying to Congress that ZTE was in full compliance with US laws (the initial ban was the result of revelations that ZTE lied to US investigators about its business with Iran and North Korea). Upholding the ban on ZTE found support across the aisle in Congress in a rare display of
bipartisanship, with both Democrats and Republicans cautioning that bailing out ZTE would signify an unacceptably soft approach to China. President Trump pushed back, asserting that the ZTE rescue came with intense scrutiny including “high-level security guarantees, change of management and board” and other stipulations.

On June 7, Secretary Ross announced a settlement with ZTE for $1.4 billion to clear it from the Department of Commerce’s Bureau of Industry and Security (BIS) Denied Persons List. The settlement marked the “most severe penalty BIS has ever imposed on a company.” The removal of the ban on ZTE was conditional and could be overturned if the company is found to be in violation of US laws. The decision seemed designed to ward off Congressional action.

As the US and China began implementing tit-for-tat tariffs, the ban on ZTE was quietly lifted on July 13 after the company paid the penalty and agreed to close monitoring of their activities. Congress redirected its efforts toward the National Defense Authorization Act, which sought to limit Chinese influence, investment, and initiatives in the US in other ways.

Observers expected that Trump’s goodwill gesture to save ZTE would be reciprocated by President Xi in the form of paving the way for a merger between Qualcomm and Netherlands-based NXP. However, the deal fell through when Chinese regulatory approval failed to materialize. Some experts speculated that US-China trade tensions made it impossible for Xi to give a green light to the acquisition.

CFIUS expands its domain

The Foreign Investment Risk Review Modernization Act of 2018 (FIRRMA), a bill designed to reform the Committee on Foreign Investment in the United States (CFIUS), was passed into law on Aug. 13 as part of the NDAA. The act, originally introduced as a separate bill in 2017, allows CFIUS to increase its scrutiny of foreign investments, with its goal being “to address growing national security concerns over foreign exploitation of certain investment structures which traditionally have fallen outside of CFIUS jurisdiction.” While FIRRMA does not specifically name China, there was little doubt that the act was specifically aimed to combat China’s use of US intellectual property and scrutinize Chinese investments in the US in particular.

As FIRRMA made its way through Congress, the White House documented its own concerns about Chinese investments. In June, the White House Office of Trade and Manufacturing Policy headed by Peter Navarro, published a damning report on China’s economic policy and motivations titled “How China’s Economic Aggression Threatens the Technologies and Intellectual Property of the United States and the World.” The report pointedly accused China of “direct[ing] and unfairly facilitat[ing] the systematic investment in, and acquisition of, US companies and assets by Chinese companies.” Such economic aggression, as stated in FIRRMA, plainly warranted a new and improved CFIUS structure that could shut down China’s harmful investment practices. The Chinese Ministry of Commerce coolly commented that they had “noticed” the plan to tighten investment and were monitoring the issue, but did not take concrete actions in response.

In July House Permanent Select Committee on Intelligence Chairman Devin Nunes called on Congress to “give CFIUS the ability to ensure China is not posing a national security risk through acquisition of sensitive US assets.” The bill passed through the House and Senate just days later with broad bipartisan support.

New developments affect US-China cooperation on North Korea

As the US–China trade war went into high gear, US–China cooperation on North Korea faltered. In early May, Xi Jinping met North Korean leader Kim Jong Un for the second time in two months, this time in Dalian. Soon after their talks, preparations for Trump’s summit with Kim hit a speed bump, and the US president pinned blame on Xi. In remarks to the press alongside South Korean President Moon Jae-in on May 22, Trump voiced his frustration: “I will say I’m a little disappointed, because when Kim Jong Un had the meeting with President Xi in China . . . I think there was a little change in attitude from Kim Jong Un. So I don’t like that. I don’t like that from the standpoint of China,” Trump said. He also expressed irritation that the China–North Korea border had “been opened up a little bit lately,” implying that Beijing was backing off its commitment to implement UN sanctions.
It is possible that Trump’s suspicion that Xi’s conversations with Kim Jong Un resulted in shifts in both North Korean and Chinese policies was correct. Kim’s decision in April to unilaterally suspend nuclear and missile tests, without demanding a concomitant suspension of US–ROK military exercises likely miffed the Chinese, who have long pushed for a “dual freeze.” Cutting back on US–South Korean military drills, along with driving a wedge in the alliance and weakening US military presence on the Peninsula, have been longstanding Chinese goals. Just weeks after the Dalian summit, Kim called for a halt to US–ROK military drills. According to at least one source, Kim issued the demand after being prodded to do so personally by Xi Jinping.

In the wake of the second Xi–Kim summit, there were also numerous reports suggesting that China was easing up on sanctions enforcement along the porous China–North Korea border. For example, a Nikkei Asian Review article cited greater availability of banned seafood from North Korea in Chinese markets, the reopening of two North Korean restaurants in Dandong, and more North Korean workers successfully using workarounds to get jobs as evidence that Beijing wasn’t clamping down as tightly.

Trump signaled his dissatisfaction with China’s more relaxed sanctions enforcement in a tweet on May 21: “China must continue to be strong & tight on the Border of North Korea until a deal is made. The word is that recently the Border has become much more porous and more has been filtering in. I want this to happen, and North Korea to be VERY successful, but only after signing!”

Immediately following his summit with Kim, Trump seemed less bothered by China’s alleged sanctions violations. At his press conference in Singapore, Trump said that Xi Jinping had closed the border, but noted “maybe a little less . . . over the last couple of months, but that’s okay.” That statement was at odds with US policy, however, as demonstrated a week later during Secretary of State Pompeo’s visit to China to provide a readout of the summit and to discuss other issues in US–China relations. Pompeo insisted that Xi reaffirmed China’s commitment to honoring UN sanctions on North Korea and agreed that the sanctions should remain in place until denuclearization is completed.

Increasingly greater divergence between the US and China on policy toward North Korea was further evidenced in July when Beijing and Moscow blocked US efforts to punish North Korea for smuggling in refined petroleum products in violation of UN sanctions and take action to prevent illicit ship-to-ship transfers. The Russians and Chinese asked for more time to review the US charges, effectively delaying the US request for six months. A joint effort by Pompeo and US Ambassador to the United Nations Nikki Haley to persuade China and Russia failed. After meetings in New York, Haley told the press that “We put pressure today on China and Russia to abide and be good helpers through this situation and to help us continue with denuclearization.”

China collaborated with Russia again on Aug. 9 to block a US request to add a Russian bank, a North Korean official, and two entities to a UN sanctions blacklist. One of the companies was China–based Dandong Zhongsheng Industry and Trade Company Ltd, which the US Treasury Department claimed is a front company.

In mid-August, the Trump administration sanctioned both Chinese and Russian firms for their alleged role in facilitating illicit trade with North Korea in violation of international sanctions. The US Treasury charged China–based Dalian Sun Moon Star International Logistics Trading and its Singapore–based affiliate, SINSMS, with falsifying shipping documents to enable illicit shipments of alcohol, tobacco, and cigarette–related products to North Korea. “Treasury will continue to implement existing sanctions on North Korea, and will take action to block and designate companies, ports, and vessels that facilitate illicit shipments and provide revenue streams to the DPRK,” Treasury Secretary Steven Mnuchin said in a statement, adding that “Consequences for violating these sanctions will remain in place until we have achieved the final, fully verified denuclearization of North Korea.”

On the eve of Secretary of State Pompeo’s departure for negotiations in Pyongyang on Aug. 24, President Trump suddenly canceled the trip, announcing his decision on Twitter. Pinning blame again on Beijing, Trump tweeted that “because of our much tougher Trading stance with China, I do not believe they are helping with the process of denuclearization as they once were (despite the UN Sanctions which are in place)...” In a follow–on tweet, Trump linked
the resumption of US–North Korea negotiations with US–China trade talks, saying that Pompeo would travel to North Korea “in the near future, most likely after our Trading relationship with China is resolved.”

A solution of the US–China trade dispute seemed very far off, however, leaving observers to wonder what President Trump meant. Meanwhile, China’s Foreign Ministry spokesperson denied that China’s policy toward the nuclear issue on the Korean Peninsula had changed. Without naming Trump, he charged that the US accusations were “irresponsible” and “contrary to basic facts.”

**Mattis focuses on talks during visit to Beijing**

In late June, Secretary of Defense Mattis visited Beijing for two days on the first stop of an Asia tour that also included South Korea and Japan. Although US–China military ties have been stable and made some achievements in recent years, this was the first visit to China by a US defense secretary since 2014. On the eve of his departure from Washington, Mattis told reporters that he planned to “do a lot of listening” on the trip and would try to avoid “poisoning the well.”

Mattis’ trip took place less than a month after he delivered a speech at the annual Shangri-La Dialogue in Singapore that criticized China’s militarization of the South China Sea, but also declared US willingness “to support China’s choices if they promote long-term peace and prosperity for all this dynamic region.”

During his visit to China, Mattis focused on dialogue, opting to skip visits to Chinese military installations, unlike most of his predecessors. While in Beijing, Mattis met President Xi Jinping, Central Military Commission Vice Chairman Xu Qiliang, Minister of Defense Wei Fenghe, and State Councilor Yang Jiechi.

According to China’s Defense Ministry spokesperson, Mattis’ visit “achieved positive, constructive, results,” including the reaching of an “important consensus” on promoting mutual understanding between their militaries, deepening practical cooperation, and controlling risks. The Pentagon’s readout said that Mattis and Gen. Wei “openly and candidly” discussed a broad range of issues important to the US–China relationship.” Those issues included Korea, Taiwan, and maritime security.

The South China Sea featured prominently in Mattis’ discussion with Xi. Apparently, the US defense secretary maintained that China’s deployment of weapons on artificial islands in the Spratlys was contrary to President Xi’s statement alongside President Obama in the White House Rose Garden that he had no intention to militarize the islands. Xi countered that China’s stance on sovereignty and territorial integrity is “steadfast . . . any inch of territory passed down from ancestors cannot be lost while we want nothing from others.”

Both Xi and Mattis had positive messages as well. “I’m here to keep our relationship on the right trajectory,” Mattis told Xi. Xinhua also reported the US defense secretary saying that “the United States is willing to strengthen strategic communication, expand mutually-beneficial cooperation, manage and control differences and risks, and prevent conflicts and confrontations, so as to enable military relations to be a constructive factor in promoting the development of bilateral ties.” Xi said he “hoped the two militaries will strengthen communication, increase mutual trust, deepen cooperation, manage and control risks and promote military ties to be a stabilizer of bilateral relations.”

Mattis’ interlocutors pressed him about the meaning of the label “strategic competitor” and the intentions behind the Trump administration’s National Security Strategy and National Defense Strategy. Acknowledging the competitive aspects of the bilateral relationship, Mattis said that “competitor” is not the same as “adversary,” and insisted that the US continues to seek areas of potential cooperation. The Chinese side also raised Taiwan, objecting to US moves to strengthen ties with Taiwan, including the Taiwan Travel Act (TTA), which calls for higher-level exchanges between officials from Washington and Taipei. The TTA was signed into law by President Trump on March 17. In what was likely a signal of US dissatisfaction with Beijing’s growing military and political pressure on Taiwan, two US Navy ships transited the Taiwan Strait one week after Mattis wrapped up his talks in Beijing.

Wei Fenghe accepted Mattis’ invitation to pay a reciprocal visit to the United States, possibly later this year. The tentative plan is to convene
a round of the US–China Diplomatic and Security Dialogue in the fall, which would include Mattis, Wei, Yang Jiechi, and Secretary Pompeo.

Speaking at the Heritage Foundation on July 18, Assistant Secretary of Defense Randy Schriver described the results of the Pentagon’s policy review of the US–China military relationship. In addition to examining bilateral activities to ensure that they are permissible under the 2019 National Defense Authorization Act, which bars cooperation in 12 areas, the Department of Defense (DoD) has assessed whether exchanges are advancing US interests and objectives. As a result, Schriver noted, the US has “skinned down” slightly areas that the US military is working with China.

In mid-August, the DoD released its annual report to Congress on “Military and Security Developments Involving the People’s Republic of China 2018.” The report described DoD’s contacts with the PLA as focused on three objectives in 2017: (1) building sustained and substantive dialogue through policy dialogues and senior leader engagements; (2) promoting risk reduction and risk management efforts that diminish the potential for misunderstanding or miscalculation; and (3) building concrete, practical cooperation when possible.

**FY19 NDAA and China**

On Aug. 13, President Trump signed into law the $717 billion annual defense policy bill, the FY19 National Defense Authorization Act. The law contains many provisions that pertain to China. Endorsing the Trump administration’s labeling of China as a strategic competitor, the NDAA requires the president to develop a whole-of-government strategy toward China, including how to respond to China’s influence operations, cyber activities, Belt and Road Initiative (BRI), and use of economic tools to gain access to sensitive US industries. The NDAA also bans the US government from contracting with ZTE and Huawei, or companies that do business with them. It prohibits the use of DoD funds for Chinese language programs at universities.

The NDAA forbids China’s participation in the Rim of the Pacific (RIMPAC) naval exercise until China 1) ceases all land reclamation in the South China Sea; 2) establishes a four-year track record of taking actions toward stabilizing the region; and 3) removes all weapons from its military outposts in the Spratlys and the Paracels. The law allows the secretary of defense to waive those requirements in the interests of national security, which is probably the only circumstance in which China could be invited back to the exercises in the foreseeable future. The NDAA also requires the Pentagon to submit reports to Congress and the public on any new Chinese reclamation or militarization, or the assertion by China of any new claims in the South China Sea.

Congress also added requirements for new sections in the Pentagon’s annual report on military and security developments involving the PRC. The new sections include assessments of: 1) China–Russia relations with respect to security and military matters; 2) Chinese efforts to influence media, cultural institutions, business and academic and policy communities of the US to be more favorable to China; 3) connections between Chinese overseas investments and China’s security and military strategy objectives; and 4) Chinese efforts to use...
various nonmilitary tools in other countries to support their security and military objectives.

China’s Foreign Ministry spokesperson criticized the NDAA, saying China was strongly dissatisfied that the bill passed despite strong Chinese opposition. He urged the US to discard its “Cold War” and “zero-sum” mentality, and refrain from implementing the negative China-related provisions, “lest it should undermine China-US relations and cooperation in key areas between the two countries. The spokesperson also voiced objections to the law’s provisions regarding Taiwan, which include assessments of ways to enhance Taiwan’s self-defense capability, and a DoD plan to expand senior military-to-military engagement and joint training by the US Armed Forces with Taiwan’s military.

China’s Taiwan Affairs Office (TAO) and Ministry of National Defense (MND) also condemned the NDAA. The TAO spokesman said that China “resolutely opposes any form of official or military contact between the United States and Taiwan, including US arms sales to Taiwan.” The MND spokesman also highlighted China’s objections to the Taiwan-related portions of the NDAA, saying that they interfered with China’s internal affairs. He also maintained that the China-related portions of the NDAA “advocate confrontation between the two countries.”

US pushes back against China’s bullying of Taiwan

On April 25, the Civil Aviation Administration of China sent a letter to 44 foreign air carriers demanding that they follow Chinese law and remove all references to Taiwan, Hong Kong, and Macau as countries independent from China from their websites and promotional material. The letter set a deadline for making changes and threatened punishment for noncompliance. Incensed by China’s demands, the Trump White House issued a statement calling the ultimatum “Orwellian nonsense” that is “part of a growing trend by the Chinese Communist Party to impose its political views on American citizens and private companies.” US officials began consultations with the US airlines affected to find a solution that would avert a negative impact on their business, while not caving in to Chinese demands.

In late May, the US State Department requested consultations with China on the issue, but Beijing refused. Asked about China’s unwillingness to talk to the US about the matter, Chinese Foreign Ministry spokesman Lu Kang told a daily news briefing that foreign companies operating in China must respect China’s laws as well as the country’s sovereignty and territorial integrity. As the final July 25 deadline neared, a State Department official said that US airlines should not be forced to comply with China’s requirements. But the four US airlines affected by China’s demands – United Airlines, American Airlines, Delta Airlines, and Hawaiian Airlines – are all private companies and the final decision on how to respond was left up to them.

To avoid adverse repercussions, US carriers opted to adjust their websites, although unlike most other international airlines, none of them adopted the nomenclature “Taiwan, China.” The changes made by the four US carriers were not consistent, but each tried to implement a solution that would be tolerated by Beijing. In some cases, airlines removed references to Taiwan, listing Taipei as a destination city but not associating it with China. United Airlines opted to use currency to denote China, Taiwan, and Hong Kong on its website. It wasn’t clear whether China would take punitive actions. China’s Foreign Ministry spokesperson refrained from criticizing the steps taken by US airlines as falling short of Beijing’s demands. Instead, the spokesperson said that “No one can step away from the basic principle of one China, no matter how hard they try to be flexible.”

Tensions flared again on an issue related to Taiwan in late August. On the heels of a trip by Taiwan’s President Tsai Ing-wen to Paraguay and Belize, which included transits through Los Angeles and Houston, El Salvador announced that it intended to break diplomatic ties with the Republic of China (Taiwan) and establish diplomatic relations with the People’s Republic of China. It marked the third time Beijing had poached a diplomatic ally from Taiwan in 18 months. The move left Taipei with only 17 official diplomatic partners. The US representative office in Taipei, the American Institute in Taiwan, condemned the action as a unilateral effort by Beijing to alter the status quo, which it maintained is harmful to regional stability. Using unusually harsh language, the Trump White House called out China both for destabilizing the cross-strait relationship and
for politically interfering in the Western Hemisphere. The statement warned that “China’s economic inducements facilitate economic dependence and domination, not partnership.”

**Bleak prospects for near-term progress**

The US-China trade dispute is likely to remain stalemated for many months to come, at least until after the US mid-term elections. The prevailing view in China that the US is not simply seeking a fair trade deal but is attempting to thwart China’s reemergence as a great power makes it highly unlikely that concessions will be tabled by Beijing. President Trump appears to be patient, anticipating that China will eventually cave in once tariffs take their toll. In an interview with Reuters on the eve of the August trade talks, Trump indicated that resolving the dispute would “take time because China’s done too well for too long, and they’ve become spoiled.”

Friction is also likely to grow in other areas of the bilateral relationship as the US confronts China on Taiwan, the South China Sea, China’s BRI predatory development financing, and Beijing’s alleged uptick in assistance to North Korea. Unlike Trump’s approach to Iran, Russia, and his treatment of US allies, his China policy has widespread bipartisan support in Congress. A face-to-face meeting could break the logjam, but no meeting is scheduled between Presidents Trump and Xi until the end of November at the G20 Summit in Argentina.
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May 1, 2018: In an interview with CNBC, Commerce Secretary Wilbur Ross claims the US-China trade deficit is “inspired by evil practices.”

May 1, 2018: President Donald Trump tweets “Delegation heading to China to begin talks on the Massive Trade Deficit that has been created with our Country. Very much like North Korea, this should have been fixed years ago, not now. Same with other countries and NAFTA ... but it will all get done. Great Potential for USA!”

May 2, 2018: President Trump tweets “Our great financial team is in China trying to negotiate a level playing field on trade! I look forward to being with President Xi in the not too distant future. We will always have a good (great) relationship!”

May 3, 2018: The Pentagon files a complaint and claims that two US pilots had been injured by Chinese military-grade laser pointers at the US base in Djibouti.

May 3-4, 2018: A delegation of senior US economic advisers travels to Beijing and meets President Xi Jinping and Vice President Wang Qishan.

May 4, 2018: President Trump tweets “Our high level delegation is on the way back from China where they had long meetings with Chinese leaders and business representatives. We will be meeting tomorrow to determine the results, but it is hard for China in that they have become very spoiled with U.S. trade wins!”

May 4, 2018: In a conference call to reporters, Deputy Assistant Defense Secretary for South and Southeast Asia Joe Felter states concern regarding “China’s predatory economic activities” in the Indian Ocean and insists their activities are not “consistent with the interests of those individual states.”

May 5, 2018: State Councilor Yang Jiechi talks by phone with Secretary of State Mike Pompeo and discusses bilateral US-China trade relations.

May 5, 2018: In a statement, the US press secretary criticizes China’s demand that foreign air carriers change the way they refer to “Taiwan,” “Hong Kong,” and “Macao” on their websites, calling it “Orwellian nonsense.”

May 8, 2018: President Trump tweets “I will be speaking to my friend, President Xi of China, this morning at 8:30. The primary topics will be Trade, where good things will happen, and North Korea, where relationships and trust are building.”

May 8, 2018: President Trump talks by phone with President Xi to discuss recent developments on the Korean Peninsula and Xi’s meeting with Kim Jong Un.

May 13, 2018: President Trump tweets “President Xi of China, and I, are working together to give massive Chinese phone company, ZTE, a way to get back into business, fast. Too many jobs in China lost. Commerce Department has been instructed to get it done!”

May 13, 2018: President Trump tweets “China and the United States are working well together on trade, but past negotiations have been so one sided in favor of China, for so many years, that it is hard for them to make a deal that benefits both countries. But be cool, it will all work out!”

May 13, 2018: President Trump asks Commerce Secretary Ross to revisit US restrictions placed on Chinese company ZTE, calling the limits “an issue of high concern for China.”

May 14, 2018: President Trump tweets “ZTE, the large Chinese phone company, buys a big percentage of individual parts from US companies. This is also reflective of the larger trade deal we are negotiating with China and my personal relationship with President Xi.”

May 14, 2018: Acting Assistant Secretary of State for East Asian and Pacific Affairs Susan Thornton visits Beijing for bilateral consultations with Chinese officials.

May 15, 2018: President Trump tweets “Trade negotiations are continuing with China. They have been making hundreds of billions of dollars a year from the U.S., for many years. Stay tuned!”

May 16, 2018: President Trump tweets “The Washington Post and CNN have typically written false stories about our trade negotiations with China. Nothing has happened with ZTE except as it pertains to the larger trade deal. Our country has been losing hundreds of billions of dollars a year with China...We have not seen China’s demands yet, which should be few in that previous U.S. Administrations have done so poorly in negotiating. China has seen our demands. There has been no folding as the media would love to believe, the meetings...haven’t even started yet! The U.S. has very little to give, because it has given so much over the years. China has much to give!”

May 17, 2018: House Intelligence Committee holds a hearing on “China’s Worldwide Military Expansion.”

May 18, 2018: China ends its anti-dumping investigation into US imports of sorghum, calling it an act of goodwill.

May 21, 2018: President Trump tweets “I ask Senator Chuck Schumer, why didn’t President Obama & the Democrats do something about Trade with China, including Theft of Intellectual Property etc.? They did NOTHING! With that being said, Chuck & I have long agreed on this issue! Fair Trade, plus, with China will happen!”

May 21, 2018: President Trump tweets “China has agreed to buy massive amounts of ADDITIONAL Farm/Agricultural Products - would be one of the best things to happen to our farmers in many years!”

May 21, 2018: President Trump tweets “On China, Barriers and Tariffs to come down for first time.”

May 21, 2018: President Trump tweets “China must continue to be strong & tight on the Border of North Korea until a deal is made. The word is that recently the Border has become much more porous and more has been filtering in. I want this to happen, and North Korea to be VERY successful, but only after signing!”

May 21, 2018: President Trump tweets “Under our potential deal with China, they will purchase from our Great American Farmers practically as much as our Farmers can produce.”

May 22, 2018: Senate Banking Committee approves an amendment with a 23–2 vote that would block President Trump from easing sanctions on ZTE without first certifying to Congress the company is complying with US law.

May 22, 2018: President Trump puts blame on Xi Jinping for the delay or cancellation of his summit with Kim Jong Un, saying “I will say I’m a little disappointed, because when Kim Jong Un had the meeting with President Xi in China...I think there was a little change in attitude from Kim Jong Un. So I don’t like that.”

May 23, 2018: President Trump tweets “Our Trade Deal with China is moving along nicely, but in the end we will probably have to use a different structure in that this will be too hard to get done and to verify results after completion.”

May 23, 2018: United States launches a national security investigation under Section 232 of the Trade Expansion Act of 1962 on whether vehicle and parts imports threaten the US industry’s health and ability to research and develop new advanced technologies.

May 23, 2018: In response to China’s continued militarization of islands in the South China Sea, the Pentagon disinvites the PLA Navy from the 2018 Rim of the Pacific (RIMPAC) exercise.

May 23, 2018: Secretary of State Pompeo and Chinese Foreign Minister Wang Yi meet and discuss cooperation on North Korea, the militarization of the South China Sea, and US-China bilateral relations and trade.

May 23, 2018: House Foreign Affairs Subcommittee on Europe, Eurasia, and Emerging Threats holds a hearing on “Chinese Investment and Influence in Europe.”
May 27, 2018: Two US Navy destroyers, the USS Higgins and the USS Antietam, conduct a freedom of navigation operation (FONOP) near Tree, Lincoln, Triton, and Woody Islands in the Paracels.

June 1, 2018: Secretary of Defense Jim Mattis criticizes China’s militarization in the South China Sea and accuses China of “intimidation and coercion” in his remarks at the plenary session of the 2018 Shangri-La Dialogue in Singapore.

June 2, 2018: Secretary of Commerce Ross meets Vice Premier Liu He in Beijing to discuss China’s willingness to buy US exports. The meeting follows US threats of raised tariffs toward exports from China.

June 3, 2018: Secretary of State Pompeo releases annual remarks commemorating the 29th Anniversary of Tiananmen Square, urging China to make a “full public accounting” of the demonstrators killed.

June 4, 2018: President Trump tweets “Farmers have not been doing well for 15 years. Mexico, Canada, China and others have treated them unfairly. By the time I finish trade talks, that will change. Big trade barriers against U.S. farmers, and other businesses, will finally be broken. Massive trade deficits no longer!”

June 7, 2018: Secretary of Commerce Ross announces a $1.4 billion settlement with ZTE Corporation, which also requires ZTE to undergo monitoring by the US Commerce Department’s Bureau of Industry and Security.

June 12, 2018: US Department of Commerce launches an investigation into steel propane tank imports from China to determine whether China illegally dumps the tanks in US markets and if Chinese tank producers receive unfair state subsidies.

June 13–16, 2018: Vice Chairman of the Standing Committee of the National People’s Congress Wang Chen visits the US. He discusses US-China ties with congressional members, including Speaker of the House Paul Ryan and House Minority Leader Nancy Pelosi.

June 14, 2018: Secretary of State Pompeo meets President Xi, Politburo Member Yang Jiechi, and Foreign Minister and State Councilor Wang Yi in Beijing. In a press availability, Pompeo states that the US wants a “constructive relationship” with China.

June 14, 2018: Chief of Naval Operations Adm. John Richardson has a video teleconference (VTC) with Vice Adm. Shen Jinlong, People’s Liberation Army (Navy) Commander. They exchange views on Navy-to-Navy and bilateral military relations.

June 15, 2018: Trump administration announces plans to impose a 25 percent tariff on $50 billion worth of Chinese goods that are considered “industrially significant technologies” in response to concerns about US intellectual property rights.

June 15, 2018: China’s Ministry of Commerce announces that China will impose tariffs on $34 billion of US goods, including soybeans and other agricultural products.

June 15, 2018: Secretary of Defense Mattis compares China’s “One Belt, One Road” to the Ming Dynasty in his remarks at the US Naval War College commencement, stating that China is “demanding other nations become tribute states, kowtowing to Beijing” and “attempting to replicate on the international stage their authoritarian domestic model.”

June 18, 2018: Secretary of State Pompeo criticizes China’s economic expansion in his remarks at the Detroit Economic Club, calling China’s push for globalization a “joke.”

June 21, 2018: Ministry of Commerce spokesperson Gao Feng, in a regular press briefing in Beijing, remarks that the US has been “capricious” and is responsible for provoking a trade war. He states, “The US is accustomed to holding ‘big sticks’ for negotiations, but this approach does not apply to China.”

June 28, 2018: Secretary of State Pompeo makes a phone call to Chinese State Councilor and Foreign Minister Wang Yi to discuss denuclearization in North Korea.

July 3, 2018: US Department of Commerce announces an affirmative preliminary anti-dumping duty determination on imports of sodium gluconate and gluconic acid from China.

July 6, 2018: Chinese Ministry of Commerce spokesperson issues a press release stating that “[China] will impose tariffs with the same size and force and all the trade and economic achievements reached by the two sides [China and the US] will be invalid at the same time.”

July 7-8, 2018: Two US Navy warships, the USS Mustin and USS Benfold guided-missile destroyers, sail through the Taiwan Strait.

July 9, 2018: President Trump tweets “I have confidence that Kim Jong Un will honor the contract we signed & even more importantly, our handshake. We agreed to the denuclearization of North Korea. China, on the other hand, may be exerting negative pressure on a deal because of our posture on Chinese Trade—Hope Not!”

July 10, 2018: US Trade Representative Robert Lighthizer states in a press release that “As a result of China’s retaliation and failure to change its practices, the President has ordered USTR to begin the process of imposing tariffs of 10 percent on an additional $200 billion of Chinese imports.”


July 13, 2018: US Department of Commerce lifts a ban that prevented US companies from selling goods to Chinese telecommunications manufacturer ZTE Corporation.

July 16, 2018: In an interview with Reuters in Johannesburg, OPIC CEO Ray Washburne warns that China’s Belt and Road strategy is creating a debt trap for many poor nations.

July 16, 2018: United States launches a case against China, as well as four other cases against the EU, Canada, Turkey, and Mexico, formally challenging tariffs that those countries imposed on more than $20 billion worth of US exports in retaliation for US duties on China’s steel and aluminum exports to the US.

July 18, 2018: Director of the National Economic Council Larry Kudlow, in remarks about a proposed US–China trade deal, states, “I don’t think President Xi at the moment has any intention of following through on the discussions we made, and I think [Trump] is so dissatisfied with China on these so-called talks that he is keeping the pressure on, and I support that.”

July 18, 2018: At the Aspen Security Forum in Colorado, FBI Director Christopher Wray remarks, “I think China, from a counterintelligence perspective, represents the broadest, most challenging, most significant threat we face as a country.”

July 18, 2018: Director General of the Department of Treaty and Law of the Ministry of Foreign Affairs Xu Hong and Department of State Legal Advisor Jennifer Gillian Newstead conduct the Annual Consultation to discuss the Belt and Road Initiative, the United Nations, maritime law, the international cyberspace law, humanitarian law, and the law on consular relations.

July 19, 2018: Chinese Ambassador to the US Cui Tiankai publishes an article in USA Today, entitled “Trade War Against China is Unjustified.”

July 19, 2018: Deputy Secretary of State John Sullivan and Ambassador to the US Cui meet in Washington, DC, to discuss bilateral and regional issues.

July 19, 2018: US House of Representatives Permanent Select Committee on Intelligence holds a hearing titled, “China’s Threat to American Government and Private Sector Research and Innovation Leadership.”
July 20, 2018: President Trump tweets, “China, the European Union and others have been manipulating their currencies and interest rates lower, while the U.S. is raising rates while the dollars gets stronger and stronger with each passing day - taking away our big competitive edge. As usual, not a level playing field...”

July 21, 2018: At the Aspen Security Forum in Colorado, Michael Collins, deputy assistant director of the CIA's East Asia Mission Center, says that China seeks to replace the US as the dominant global power and is waging a Cold War.


July 25, 2018: President Trump tweets: “China is targeting our farmers, who they know I love & respect, as a way of getting me to continue allowing them to take advantage of the U.S. They are being vicious in what will be their failed attempt. We were being nice - until now! China made $517 Billion on us last year.”

July 26, 2018: Foreign Ministry spokesperson in response to Trump’s tweet that China’s tariffs target US farmers, states, “The current situation is entirely caused by the US side by pursuing unilateralism and trade protectionism and insisting on provoking trade wars against China.”


July 27, 2018: Undersecretary of Defense for Acquisition and Sustainment Ellen Lord states that the Pentagon has created a “do not buy” list of software products from certain Chinese and Russian companies.

July 26, 2018: Report by US National Counterintelligence and Security Center states that “China continues to steal intellectual property and trade secrets from U.S. companies for its own economic advancement and the development of its military but ‘at lower volumes’ since the two countries forged an agreement in 2015.”

July 31, 2018: At the PLA’s 91st anniversary reception in Washington, DC, Chinese Ambassador to the US Cui Tiankai states, “[US-China] competition should be healthy and positive, aiming to improve ourselves, not to replace the other side.”

Aug. 1, 2018: Congress passes legislation authorizing $716 billion in total defense spending for the coming fiscal year. It includes provisions aimed at countering Chinese activities in the South China Sea, its illicit pursuit of cutting-edge US technology, and the spread of Communist Party propaganda at American institutions.

Aug. 1, 2018: President Trump directs US Trade Representative Lighthizer to consider increasing the proposed tariff level on $200 billion worth of Chinese goods from 10 percent to 25 percent.

Aug. 3, 2018: China says it will impose new tariffs on $60 billion worth of imports from the US, including aircraft and liquefied natural gas, in response to Trump's threat to raise US tariffs on Chinese goods on $200 billion worth of Chinese exports to 25 percent.

Aug. 3, 2018: Secretary of State Pompeo and Foreign Minister Wang Yi meet on the sidelines of the ASEAN Regional Forum in Singapore.

Aug. 4, 2018: President Trump tweets, “Tariffs are working far better than anyone ever anticipated. China market has dropped 27% in last 4 months, and they are talking to us. Our market is stronger than ever, and will go up dramatically when these horrible Trade Deals are successfully renegotiated.”

Aug. 4, 2018: President Trump tweets, “....China, which is for the first time doing poorly against us, is spending a fortune on ads and P.R. trying to convince and scare our politicians to fight me on Tariffs - because they are really hurting their economy. Likewise other countries. We are Winning, but must be strong!”

Aug. 8, 2018: President Trump tweets, “As long as I campaign and/or support Senate and House candidates (within reason), they will win! I LOVE the people, & they certainly seem to like the job I’m doing. If I find the time, in between China, Iran, the Economy and much more, which I must, we will have a giant Red Wave!”

Aug. 8, 2018: US Navy P-8A Poseidon reconnaissance plane flies over the Spratly Islands and receives six radio warnings from the Chinese military to “Leave immediately and keep out to avoid any misunderstanding.”

Aug. 13, 2018: At the signing ceremony for the FY 2019 National Defense Authorization Act, President Trump states, “China even launched a new military division to oversee its warfighting programs in space. Just like the air, the land, the sea, space has become a warfighting domain. It is not enough to merely have an American presence in space. We must have American dominance in space.”


Aug. 18, 2018: President Trump tweets, “All of the fools that are so focused on looking only at Russia should start also looking in another direction, China. But in the end, if we are smart, tough and well prepared, we will get along with everyone!”

Aug. 20, 2018: President Trump tweets, “It is outrageous that Poisonous Synthetic Heroine Fentanyl comes pouring into the U.S. Postal System from China. We can, and must, END THIS NOW! The Senate should pass the STOP ACT – and firmly STOP this poison from killing our children and destroying our country. No more delay!”


Aug. 23, 2018: US and China levy 25 percent duties on an additional $16 billion of each other’s imports.

Aug. 23, 2018: China files complaint with the World Trade Organization against US tariffs on $16 billion worth of Chinese goods under the Section 301 investigation, according to the Ministry of Commerce.

Aug. 24, 2018: President Trump tweets, “…Additionally, because of our much tougher Trading stance with China, I do not believe they are helping with the process of denuclearization as they once were (despite the UN Sanctions which are in place)...”

Aug. 24, 2018: President Trump tweets, “…Secretary Pompeo looks forward to going to North Korea in the near future, most likely after our Trading relationship with China is resolved. In the meantime I would like to send my warmest regards and respect to Chairman Kim. I look forward to seeing him soon!”

Aug. 27, 2018: President Trump tells reporters he is rejecting overtures from China to negotiate. “They want to talk,” Trump said. But "it’s just not the right time to talk right now, to be honest."
Aug. 27, 2018: US Commerce Department announces a preliminary determination that imports of certain steel wheels from China were subsidized at rates ranging from 58.75 percent to 172.51 percent, and that it would impose duties on the product.

Aug. 28, 2018: President Trump tweets, “Report just out: “China hacked Hillary Clinton’s private Email Server.” Are they sure it wasn’t Russia (just kidding!)? What are the odds that the FBI and DOJ are right on top of this? Actually, a very big story. Much classified information!”

Aug. 29, 2018: President Trump tweets, “STATEMENT FROM THE WHITE HOUSE President Donald J. Trump feels strongly that North Korea is under tremendous pressure from China because of our major trade disputes with the Chinese Government. At the same time, we also know that China is providing North Korea with...” “…considerable aid, including money, fuel, fertilizer and various other commodities. This is not helpful! Nonetheless, the President believes that his relationship with Kim Jong Un is a very good and warm one, and there is no reason at this time to be spending large amounts...” “…of money on joint U.S.-South Korea war games. Besides, the President can instantly start the joint exercises again with South Korea, and Japan, if he so chooses. If he does, they will be far bigger than ever before. As for the U.S.–China trade disputes, and other...” “…differences, they will be resolved in time by President Trump and China’s great President Xi Jinping. Their relationship and bond remain very strong.”

Aug. 29, 2018: In a letter to Secretary of State Pompeo and Treasury Secretary Steven Mnuchin, Sen. Marco Rubio and 16 other members of Congress from both parties call for sanctions on seven Chinese officials and two businesses related to camps in Xinjiang.

Chronology by CSIS intern Julia Wieczorek