Trump cannot hope to solve a China 'problem' he has misdiagnosed

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Amid a US-China trade truce, negotiators in London reached a "framework" agreement to activate the Geneva deal, raising hopes for an immediate alleviation of the trade conflict, including potentially a US commitment to revoke some of its tech embargoes in return for China's relaxation of rare earth export restrictions.

The full details of the London agreement are expected to be available after both US President Donald Trump and President Xi Jinping have approved it.

The two-day London negotiations had swiftly followed Trump's call with Xi last Thursday, more than four months into his second term. Both sides had continued to cross swords over trade after their officials met in Geneva last month.

Following Washington's global boycott of Chinese-made high-end computing chips, including Huawei Technologies' Ascend, Beijing responded by threatening to punish those who complied. Just a day after the Trump-Xi call, news emerged that Washington had stopped issuing licences to ship nuclear plant parts to China.

Critically, China unprecedentedly tightened its rare earth exports, displaying its ability to retaliate. The pain inflicted on US car manufacturers and defence companies was obviously the most pressing reason for Trump to talk to Xi, as the trade tussle was rapidly escalating into a crisis of global supply chains.

The London talks may have de-escalated tensions but I see little room for optimism – unless they also spark a reorientation of Washington's trade and foreign policy thinking.

What strikes me is how some people's thinking seems to have been moulded by such Trump-empathising narratives as "Trump is making sense about the unsustainability of the US trade deficit even if the way he's been handling it is disputable".

The cause of dispute lies elsewhere: in Trump and his retinue's gross misdiagnosis of the situation in which a paradigm shift has occurred, with a growing China becoming America's sole rival. Trump's America fails to grasp the fundamentally consequential view that a rising China is a new question to answer, not an old mistake to correct.

The 1944 Bretton Woods Conference led to the establishment of an international monetary system that institutionalised America's status as the world's economic, financial and military behemoth. The most salient feature of the system was to fix the value of the world's currencies against the US dollar as the anchor while the dollar itself was pegged to gold, to promote free trade and avoid a repetition of the protectionism seen as a key cause of the second world war.

After US president Richard Nixon delinked the dollar from gold in 1971, free trade continued to prosper and the dollar remained predominant as fiat money anchored to such primary commodities as crude oil, and to the US military bases spread all over the world, especially after the collapse of the Soviet Union.

It's not that no one had noticed the flip side of dollar dominance, and worries over America's trade deficit concurring with it were already big enough in the early 1960s to warrant the coining of the Triffin dilemma.

According to economist Robert Triffin, dollar-dominated international trade necessitates a trade deficit for America and makes Americans the "customers of last resort" over time, which would be a problem in the longer term for the country.

But that seemed a small price to pay – even a blessing – for America, as it was deemed such an integral part of the "liberal international order", as Princeton University professor John Ikenberry calls it. The broadly based and encompassing system of rules and institutions led by the United States, under the banner of democracy and capitalism, became the basis for cooperation and shared authority across the globe.

Hence Pax Americana. America was dubbed "empire lite" by academic and former politician Michael Ignatieff, and the "benevolent empire" by American columnist Robert Kagan. America had embarked on a path as the "shining city on a hill". Elon Musk, for one, exclaimed that "America is New Rome".

Then Trump entered the scene. In his first term as president, he clearly did not want China to be a part of the empire. Now, he does not seem to want an empire at all.

But his wrong diagnosis of America's predicament cannot lead to the right prescription of solutions – as his administration's cacophonous mess of a tariff war against the rest of the world has made clear.

Perhaps America can return to the Biden-era position – as a recent essay by former US deputy state secretary Kurt Campbell and American political scientist Rush Doshi puts it – of countering a colossally industrialised China with a scale achievable only via amalgamation with its allies to shut Beijing out.

Or perhaps it will come to terms with China (and Russia) for a deal to shut down the empire it's tired of. Either way, it will buy Washington some time to land an orderly approach to its new position in the world, which the Trump administration admits has moved to multipolarity from unipolarity.

Some believe the "accelerationism" theory – a white-supremacist idea that society is irreparable and systemic collapse is the only solution – underlies Washington's policy tantrums. If the US does not find a way to regain its footing in the new world order, the effects of this theory would accelerate the very decline of America that both Trump and the beltway elites mean to arrest and roll back.

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