

TRENDMACRO LIVE!

## On Trump Playing the Hong Kong Card

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Donald Luskin

Hong Kong is an existential pressure point for China, and Trump is starting to push on it.

This is a quick note to report on a new development at the margin, as US-China trade negotiations flirt with [“the edge of chaos.”](#) We said last week:

*“We’ll know it’s really out of control if Trump sides with Hong Kong protestors against [Chinese President] Xi. So far Trump has been very courteous to Xi on that, keeping open the door of personal diplomacy that Trump seems to feel is his signature technique. If Trump turns against Xi, we will be hearing the sound of the door slamming shut (see [“China the Currency Manipulator, and So What?”](#) August 6, 2019).*

*We’re not exactly hearing the door slamming yet, but that’s the hinges squeaking. It’s not a relationship rupture – it’s the threat of one.*



Donald J. Trump @realDonaldTrump 2m  
I know President Xi of China very well. He is a great leader who very much has the respect of his people. He is also a good man in a “tough business.” I have ZERO doubt that if President Xi wants to quickly and humanely solve the Hong Kong problem, he can do it. Personal meeting?  
767 990 3k

Donald J. Trump @realDonaldTrump 29m  
..deferral to December. It actually helps China more than us, but will be reciprocated. Millions of jobs are being lost in China to other non-Tariffed countries. Thousands of companies are leaving. Of course China wants to make a deal. Let them work humanely with Hong Kong first!  
2k 3k 13k

Donald J. Trump @realDonaldTrump 29m  
Good things were stated on the call with China the other day. They are eating the Tariffs with the devaluation of their currency and “pouring” money into their system. The American consumer is fine with or without the September date, but much good will come from the short....  
2k 4k 14k

In public statements, Trump has [called the protests in China “riots.”](#) adopting China’s expression, giving China the widest possible scope to handle the situation its own way, and certainly doing nothing to encourage the protestors. That position moved ever so slightly [during a press gaggle](#) Tuesday morning, following [the announcement](#) that certain US tariffs would be delayed to December 15. Trump said,

*“Oh, it’s a very tricky situation. I think it’ll work out. And I hope it works out for liberty. I hope it works out for everybody, including China. I hope it works out peacefully. I hope nobody gets hurts. I hope nobody gets killed.”*

*Saying he hopes “it works out for liberty” would seem to be a tip-toe toward supporting the cause of the protestors. Saying he hopes “nobody gets hurt” would seem to limit the scope of action China can take.*

Then in a [series of tweets](#) yesterday evening, while maintaining the usual fawning about Xi the “great leader,” Trump twice calls for Hong Kong to be dealt with “humanely” –

### Update to strategic view

**ASIA MACRO, US MACRO:** Trump has begun to play the Hong Kong card. Having given Xi the gift of maximum maneuvering room by staying out of it, Trump said on Tuesday he hopes “it works out for liberty” and tweeted last night a call for resolving the situation “humanely” as a precondition for a trade deal. Having seemed weak on Tuesday by delaying tariffs, Trump is stepping back toward “the edge of chaos” by using Hong Kong as a pressure play, exploiting its critical economic role for China and the potential for contagious social unrest.

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indeed, going so far as to apparently make it a condition of a trade deal, when he says “Of course China wants to make a trade deal. Let them work humanely with Hong Kong first!”

It seems that Trump doesn’t want this to be understood – at least not yet – as slamming the door. The last tweet even ends with an ambiguous overture to Xi: “Personal meeting?”

- But by taking it to Twitter, Trump’s signature medium – where every word, nickname, capitalization choice and spelling error is crafted [with Machiavellian precision](#) (as opposed to a discursive press gaggle improv) – *Trump has made it official. Hong Kong is now in play as a weapon in his armamentarium of pressure tactics.*
- *Hong Kong is an existential global pressure point, even without Trump jabbing at it. Hong Kong is a critical economic gateway for China (this morning, official [GDP estimates have been downgraded from growth to flat because of the protests](#)). The protests could lead contagiously to social unrest on the mainland, and it’s not clear whether the risk of that is greater whether they are tolerated or brutally put down. But brutal mishandling of the situation could make China a global pariah, and end up enlisting Europe and Japan in a trade war during which they so far have remained neutral.*
- We wondered whether Tuesday’s delay of some of the tariffs was a sign of weakness, after two weeks in which Trump seemed ready to fearlessly push China (and global markets) to the edge of chaos in order to force a trade deal (see [“Never Let a Good Currency Crisis Go to Waste”](#) August 14, 2019). *Whether it was weakness, or only a concession made as part of a larger deal-making process, we might understand Trump’s playing the Hong Kong card as a counterweight to any appearance of weakness.*
- *Either way, if Trump stepped back from the edge of chaos on Tuesday by delaying some of the tariffs, these steps toward a more activist and oppositional stance on Hong Kong are steps back toward that edge.* China obliged this morning by claiming that the tariffs, even if delayed, “seriously violated...the deviation from the Osaka meeting” – at least that’s the way [Google Translate puts it](#) – and threatening “to take the necessary countermeasures.”
- *Again, the edge of chaos must be explored as a necessary precondition to a trade deal. China will never capitulate except under extreme pressure, which will be painful and costly for the US to apply. But while necessary to get deal, it is not sufficient to get a deal. So the good(ish) news is that things have to get worse in order for things to get better. The bad news is that they may not get better even if they do get worse first.*

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## Bottom line

Trump has begun to play the Hong Kong card. Having given Xi the gift of maximum maneuvering room by staying out of it, Trump said on Tuesday he hopes “it works out for liberty” and tweeted last night a call for resolving

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