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From: Chris Nelson <[cnelson@samuelsinternational.com](mailto:cnelson@samuelsinternational.com)>

Date: Tue, Dec 18, 2018 at 7:28 PM

Subject: 12/18/18 Xi Crisis? Trade Wars; Trump/Mueller; Abe/Putin; Norkology

To: <[rb112@columbia.edu](mailto:rb112@columbia.edu)>

12/18/18 Xi Crisis? Trade Wars; Trump/Mueller; Abe/Putin; Norkology

**December 18, 2018**

**NK TRIED TO PHISH SOME OF OUR LRS!!**

**...Please be sure to check the address on all your emails!**

**JAPAN WORKING ON PLAN FOR NORTHERN TERRITORIES**

**...Associate Editor Sneider adds US watching negotiations**

**...LR Schoff weighs in on Japan's new NDPG**

**XI GIVES SPEECH: YES TO OPENNESS, NO TO HEGEMONY**

**...LRs Scissors, Nealer, and Anon don't really buy it**

**...LR Blohm also sends his analysis of the speech**

**...Joins LR Manning with comments on Confucius Institutes**

**SENATORS WANT INVESTIGATION OF TAIWAN ELECTIONS**

**...LRs Anon and Glaser don't think China meddled in it**

**...LRs Roy and Sun spoke at Wilson today on China too**

**STATE ANNOUNCES BIEGUN TO VISIT SEOUL THIS WEEK**

**...LR Foster-Carter sends his 38North piece looking at the rail**

**POLL: AMERICANS PESSIMISTIC ABOUT FUTURE ECONOMY**

**...AP writes that Trump is worried about his economic legacy**

**IMPORTANT NOTE FROM YOUR EDITOR...we got "phished" by a well-known N. Korea connected baddie this morning, sending out a note saying "Dear All, Here is Nick Hansen's analysis of what was promised for the missile site". Fortunately (?) the email address from "me" was slightly wrong so several Loyal Readers caught it and tipped us. WE didn't get one!**

**Anyhow...sorry to have to say IF/IF you get something from us that has a *not*-quite right email address...PLS let us know and PLS don't open it!!**

**In the "real world", let's start with the latest from Associate Editor Dan Sneider...**

# Asia Through the U.S. Lens

Report from Tokyo by Dan Sneider, Stanford

## BEHIND THE SCENES ON THE JAPAN-RUSSIA DIPLOMATIC FRONT

Russia is a topic of great interest in Tokyo these days, but not for the reasons folks back in the U.S. talk about it. Japanese are not concerned with Russian interference in elections -- theirs or ours -- or even much about the geopolitical challenge posed by Moscow in Europe or the Middle East.

Rather, the conversation here in Japan is whether Prime Minister Abe and President Putin will pull off what has been the bridge too far in their relations -- the signing of a peace treaty to formally end World War Two and to settle the territorial dispute which has blocked this for almost 70 years. The two men will meet next month in Russia -- from January 21st according to reports - for what will be their 25th time. The pace of their interactions is picking up -- they met in Singapore only in November, on the sidelines of the ASEAN summit, and again in Buenos Aires shortly afterwards.

The meeting in Singapore produced a carefully worded statement that is the basis of some limited optimism about the chance of deal, at least in Tokyo. The two men agreed to start accelerated talks for a peace treaty based on the 1956 joint declaration reached between the two countries. In that declaration, the Soviet Union agreed to return two of the four disputed islands in the Kuriles chain -- the smaller islands of Shikotan and Habomai -- leaving undetermined the issue of the two larger islands, Etorofu and Kunashira, which would remain under Soviet control.

The so-called two island formula collapsed when Japan, under U.S. pressure, ultimately insisted on the return of all four. It has resurfaced several times -- but the key here is that Abe, who has long insisted on the return of all the islands, has now clearly indicated he is ready to accept the 1956 joint declaration.

"I agreed with President Putin to accelerate negotiations on a peace treaty based on the 1956 joint declaration between Japan and the Soviet Union," Abe told reporters after their meeting in Singapore. "This issue, which has existed for more than 70 years since the end of the war, will be solved by Putin and me, and not left for the next generation," Abe said. "President Putin and I completely shared that strong desire...On the basis of this new trust, we will solve the islands issue and sign a peace treaty." One crucial aspect of the 1956 Joint Declaration is that the Soviet Union

**did not in any way concede its claim of sovereignty over all the islands, or the legitimacy of it having regained (in its view) that territory due to the end of the war. The declaration says that the Soviet Union will "transfer" the two islands to Japan, a formula that basically accepts this as Soviet territory. That question has bedeviled numerous subsequent attempts to resolve this issue.**

**Putin, in an appearance before the Russian media in Singapore, made it clear that this position was not changing. Here are his words, for the record:**

**Question:** *Good afternoon. Yesterday, you met with the Prime Minister of Japan. Before that, Japanese media wrote that Shinzo Abe was coming here with a proposal to revert to the Soviet-Japanese Declaration of 1956. And, judging by the latest reports, Russia and Japan have agreed to step up dialogue precisely under this declaration. Could you tell us about the details, and what does this mean?*

**Vladimir Putin:** We launched or resumed, to be more exact, our dialogue with Japanese partners precisely on the basis of the 1956 declaration, and this is what our Japanese partners asked us to do.

Let's recall how this entire situation developed. I have discussed this many times, and I will say this once again. Certain agreements were reached after World War II, including territorial demarcation and state border agreements.

Those agreements are formalised in international legal documents; therefore we don't see any problems or difficulties here. We believe that the current status quo hinges on international legal documents, formalised after World War II. Nevertheless, as you know, Japan has a different perspective on this issue. We are ready to work with them.

In 1956, the Soviet Union and Japan signed a document called the Declaration of 1956. What does it say? It notes that the Soviet Union is ready to cede two of the southern islands to Japan after the signing of the peace treaty.

It says nothing about specific legal grounds for ceding these islands, their subsequent jurisdiction or the procedure for handing them over to Japan. But it formalises the Soviet Union's readiness to cede these two islands.

After that, the Supreme Soviet of the USSR and the Japanese Parliament both ratified the declaration. Japan later refused to honour these agreements.

Because this went on for a long time, back during Gorbachev's presidency the Soviet Union refused to further honour the document. The Japanese side later asked us to return to discussing these problems once again on the basis of this declaration. But the centre of gravity shifted somewhat during the discussion; in effect, it deviated from the declaration of 1956.

Indeed, the Prime Minister said at our yesterday's meeting that Japan would be ready to resume the discussion of this issue under the 1956 declaration. But, of course, all this calls for separate, additional and serious assessments, and we

should keep in mind that, as you have heard, and as I have just said, far from all of the declaration's aspects are clear.

In principle, the document merely states that the Soviet Union is ready to cede two of the southern islands, but it says nothing about specific legal grounds for doing this and about the islands' subsequent jurisdiction. All this calls for detailed analysis, all the more so as Japan itself refused to honour these agreements at some point.

### **SNEIDER:**

**For those who have not followed this issue, a small detour into the past. There have been at least two moments since the collapse of the Soviet Union when Japan and Russia came close to closing this same basic deal. In 1992, the Russian foreign minister Andrei Kozyrev offer to Japan the formula that Russia would affirm the 1956 declaration, negotiate the return of the two smaller islands first, and then be prepared to negotiate the issue of the two larger islands based on whatever is agreed. This was the best offer Japan ever got -- Russia was newly formed as a separate state and at the point of greatest weakness post-Cold War. But the Japanese side arrogantly, and in the view of some, stupidly, rejected this, thinking they could get more. President Yeltsin angrily cancelled his visit to Japan four days before scheduled departure.**

**In September 2000, Putin made his first official visit to Japan as President. Unlike Gorbachev, he recognized the validity of the 1956 declaration but only as a basis for discussion. The Japanese proposed parallel talks on the two sets of islands, Putin did not rule it out, but under pressure from Japanese conservatives, Japan withdrew its proposal.**

**There was a small group of Russia hands who were pushing for this deal at that time led by Hokkaido politician Suzuki Muneo, along with Foreign Ministry officials Togo Kazuhiko and intelligence specialist Sato Masaru. All were either purged or, in the case of Suzuki and Sato, ended up in jail. Interestingly, both Suzuki and Sato are back in favor these days -- Sato is a well known and widely read foreign policy commentator and Suzuki is not only back in the parliament but is closely advising Abe on Russia policy. Even though many in the Foreign Ministry strongly oppose the 1956 formula, Suzuki has close ties, I am told authoritatively, with Vice Foreign Minister Akiba Takeo.**

**According to one political insider, during their private one on one meeting in Singapore, Abe clearly told Putin that he is ready to accept just the two islands, though the wording of such an agreement is far from clear. In this account, there is now a plan in the Prime Minister's office to try to bring talks on the peace treaty to a close by June, when Putin is scheduled to visit Japan for the G20 talks. Despite the conventional wisdom that the Japanese people support the long standing demand for**

return of all four islands, Abe and company think this deal will actually be welcomed and that Abe can use it as a springboard to hold double elections in July for both the lower and upper houses of parliament.

Abe's desire to bring this issue to a close is the biggest shift seen on this problem since the Mori-Putin talks in the beginning of the last decade. But what about Putin? And secondarily to that, would the U.S. intervene? Those two questions are intertwined because Russian officials continue to link the territorial settlement to broader security issues, such as Japanese deployment of anti-ballistic missile systems. More seriously, there is a Russian demand that the US-Japan security treaty not extend to the islands and that no U.S. bases would be placed on that territory when transferred to Japan. A small scale Russian buildup on the two larger islands is ongoing, to add a little weight to such pressure.

On the latter issue, Abe reportedly told Putin in Singapore that Japan would not allow U.S. bases on the islands, something that was not been made clear previously by senior Japanese officials. But on the security treaty application, a Japanese Russia hand who is close to these talks told me that would be unacceptable. "If Putin raises such demands," he told me, " we will withdraw. We may lose the islands but the responsibility will be on the Russians."

U.S. officials are watching these talks with great interest. They remain skeptical that a deal can really be reached, given the past history. But they take these talks very seriously. At the level of the State Department professionals -- and it is not clear anyone else is paying close attention yet -- there is a desire not to be seen as intervening in any way, in an echo of what happened in 1956. If the talks fail, in their view, it should not do so because of the U.S.

Why, it remains to ask, would Putin do this? The conventional view is that the Russian leader is happy to dangle the prospect of this in front of an eager Abe without finalizing a deal. He would gain whatever benefits may come from increased Japanese investment in Russia, easing of sanctions, and creation of tensions between Tokyo and Washington. That logic is powerful. But the Japanese Russia hands believe that Moscow also has a strong but unstated motivation for this -- to balance their growing dependence on China. "They don't want to play second fiddle to China," the Russia hand told me.

The path to success, those who advocate a deal tell me, is narrow and will essentially end with Abe, and this year. If it fails, this issue is closed forever. And as of now, "it is on a very fragile basis," the Russian hand told me.

**RELATED:** valued colleague [Jim Schoff](#), Carnegie:

Hi Chris,

In case you're looking for some reaction to Japan's new NDPG, I have a few quick thoughts:

Although the reconfiguration of the Izumo (helicopter destroyer) to allow for F35B operations is getting a lot of attention, my understanding is that this is a relatively minor component in the concept of operations for the F35Bs. It will be used for training and emergencies (i.e., it provides a few unique options), but mostly the F35Bs will be used along the Ryukyu Island chain to help defend Japan's territory in the East China Sea.

I agree w/ those who say that the emphasis on acquiring space, cyber & electro-mag disruption capability (as well as stand-off defense) is perhaps the most noteworthy, although the sheer number of newly pledged F35 purchases (over 100!) is another big headline and represents a major commitment to that platform. The new NDPG says they want to reduce aircraft types, so that means eventually Japan might just have two types of fighters...the F35s and whatever nextgen fighter replaces the F2.

We'll see many debates in the near future about how these new F35s get packaged and paid for (ideally in predictable multi-year contracts), but that's a lot of fighters spread out over a long time horizon, presumably. Interoperability with US forces and jointness/cross-domain operations overall area big (and welcome) themes, and there is a solid but not eye-popping commitment to 5-year defense budget funding (about ¥5.5trillion/year or roughly \$49bn)...very much in line with past practice and relatively modest when you consider all the big ticket items (and MOF is pushing for further "savings").

Still, this should placate Trump to some degree and give the allies plenty to work on in the coming years as they look to maintain deterrence and stability. My quick take is that this is evolutionary change for Japan's SDF (not revolutionary), and that seems about right to me. Will have to explore in more detail over the next few days. Thanks and best, Jim

James L. Schoff  
Senior Fellow, Asia Program

**And now back to DC...**

## **TRADE WARS**

**Alas, our expert Loyal Readers wax *sarcastic* on the following:**

### **Politico Morning Trade**

**XI KEEPS EVERYONE GUESSING:** Chinese President Xi Jinping avoided offering any concrete policy decisions in the ongoing trade fight with the U.S. during a major speech today in Beijing to mark the 40-year anniversary of China opening up its economy. Instead, Xi offered a tribute to the Communist Party's role in the country's development.

China watchers had hoped the [speech](#) would provide a signal of how far Beijing might be able to go toward meeting U.S. demands. Xi didn't get down to specifics in terms of trade reforms or policy measures aimed at stimulating the country's slowing economy, but he made clear that China would develop under its own terms. "There is no textbook of golden rules to follow for development and reform in China, a country with over 5,000 years of civilization and more than 1.3 billion people. No one is in a position to dictate to the Chinese people what should or should not be done," he said during the speech that lasted nearly

one hour and 20 minutes.

**Never a hegemon:** Xi added that China would never pursue its development "at the cost of others' interests" but also warned it will never "give up its own legitimate rights and interests." "No matter what stage of development it reaches, China will never seek hegemony," he said.

**Talk of openness:** Xi spent little time talking specifically about trade, but took the default position of China as a champion of a rules-based system. "We must support an open, transparent, inclusive and non-discriminatory multilateral trading system," he said. "Promote trade and investment liberalization and facilitation. And make economic globalization more open, inclusive, balanced and beneficial to all."

### **DEREK SCISSORS:**

It's just such a shock that Xi Jinping didn't announce major pro-competition reform.

### **KEVIN NEALER:**

Indeed. Wasn't he highly incited to fall on one knee and say "Oh Lordie, I saw the Light in Buenos Aires! I'm SAVED!" It would be so like him to utterly adjust CCP orthodoxy because of external pressure. I thought his "no one can dictate to the Chinese people what should be done" likely was followed by "That's my job." But it got lost in translation.

### **ANON SR. US PRIVATE:**

<https://www.reuters.com/article/us-chemchina-m-a-sinochem/chinas-chemchina-sinochem-set-to-merge-caixin-idUSKBN1JQOPJ>

*BEIJING (Reuters) - Chinese state-owned Sinochem Group [SASADA.UL] and ChemChina will merge to create a new company, and Sinochem Chairman Ning Gaoning will become the chairman of ChemChina, financial publication Caixin reported late on Saturday. Reuters has reported that the two companies were in merger talks to create the world's biggest industrial chemicals firm worth around \$120 billion, to be led by the head of Sinochem.*

And here I thought "competitive neutrality" was going to be an important component of his remarks! Still waiting for that big antitrust case targeting the China Union Pay monopoly in e-payments.

<https://www.reuters.com/article/us-usa-trade-china-analysis/china-trade-steps-seen-as-good-start-but-leave-core-us-demands-untouched-idUSKBN1OG0GA>

"It would be great if Xi Jinping, in the name of achieving competitive neutrality, pledges to take very concrete steps that would strip immunity and special treatment from state-owned enterprises in Chinese law," the person said. "They've got to go considerably past the old status quo on a lot of difficult issues to be able to claim that they've done something really significant."

And then there is this little nugget that seems to have escaped all the press about

China "so called" (any many would say comedic) effort to rework MiC2025 to "accommodate" U.S. concerns:

No doubt competitive neutrality, subsidy reductions, and China's overarching desires to accommodate U.S. concerns about unfair competition are figuring prominently into this merger! Brief reminder: a couple years back, ChemChina bought Syngenta and its U.S.-based biotech seed business, an area where China continues to heavily discriminate against Dupont, Bayer (Monstanto), etc. And now we seeing two large SOEs being combined into a super SOE.

Here's to the 40th anniversary of China's reform and opening!

## **IS XI IN TROUBLE AT HOME? ...POTENTIAL LEVERAGE FOR US AND ALLIES TRUMP HASN'T ALIENATED?**

**HUMMM...OK, now that everyone's had their fun, Your Editor was chilled by the following...Xi insists that CPP writ is "*completely correct*" (our emphasis). Really? That leaves *zero* room for debate, and discussion is only on how best to implement, right? It also risks springing the classic political trap used by not *just* authoritarians:**

**If you question my *policy*, which is "correct", then you oppose *me*, and if my policy is *national* policy, then to question it is...treason...enjoy your interview with State Security!**

**Your Editor long ago noted that when translated into English, Mandarin political speech tends to come across devoid of nuance, and highly hortatory subjunctive.**

**Perhaps in the "original" things are more fluid, more open to discussion, even debate?**

**Well...probably not, of course, which it what makes it all the more *interesting* and possibly *important* that senior Chinese officials and scholars are daring to criticize Xi...see Deng's son, in the following:**

### **Xi Jinping's Strongman Rule Comes Under Fire as China Celebrates Deng's Reforms**

***Xi insists that the Communist Party's strategies are 'completely correct' in a nationally televised speech***

By Chun Han Wong

In the weeks leading up to Tuesday's 40th anniversary celebrations, Mr. Xi's brand of forward-leaning foreign policy and strongman-led national development has drawn fire. Critics within the party are pointing to [China's flagging economy](#) and down-spiraling [relations with](#)

[the U.S.](#) as proof Mr. Xi has concentrated too much authority in his hands, made policy missteps and provoked pushback against China's [superpower ambitions abroad](#).

When Premier Li Keqiang, the titular No. 2 in the leadership who has lost influence over economic policy to Mr. Xi in recent years, visited Singapore last month, he omitted the usual obligatory mention of the Chinese president in two speeches. Instead, he name checked Deng Xiaoping, the late leader revered for backing the pro-market reforms and who rejected the one-man rule that he thought led China to ruin in the Mao era.

"There has been dissent and dissatisfaction over Xi's approach," said Steve Tsang, director of the SOAS China Institute in London. He points to the economy's weakness and the trade war with the U.S. as reasons for the discontent. Mr. Xi remains in control, with no organized opposition or rallying figure, said Mr. Tsang and party insiders.

On Tuesday, in a pomp-filled ceremony in Beijing's Great Hall of the People, Mr. Xi defended his record in a nationally televised speech, recounting his efforts over the past six years to boost domestic growth and global trade, eradicate poverty, raise China's influence internationally and overhaul the country's bureaucracy and military.

Mr. Xi acknowledged that China faces "more severe" challenges at home and abroad, without being more specific, and insisted that the Communist Party's strategies are "completely correct." We "absolutely must not hesitate, dither or be indecisive in the slightest degree" in pursuing national rejuvenation, he said at a ceremony exactly 40 years after Deng kicked off a conclave that official histories say launched China's "reform and opening up."

The disagreements are creating at the very least confusion among lower-level officials over Beijing's policy priorities, and at worst a stalemate over major decision making. The stasis comes as the world's No. 2 economy slows faster than Chinese leaders expected, weighed down in part by debt, excessive investment and insufficient consumption, and as friction with the U.S. raises questions about Mr. Xi's ability to cope with unexpected challenges.

Mr. Xi's government made curbing financial-sector risk a top priority the past two years until seemingly reversing course this autumn to urge banks to lend to small and medium private businesses, often seen as risky, to shore up economic growth. China's Foreign Ministry has continued to cheerlead for Mr. Xi's "Belt and Road" [initiative to build infrastructure](#) across much of the world, despite calls in other agencies to re-examine the program's finances and criticism from some recipient countries, the U.S. and others that the program is a debt trap.

Earlier in the year, senior officials told public forums and foreign reporters that major new policies would be unveiled this year to kick-start a new round of liberalization and set China's economy on course for years of vigorous growth.

[Photo: Deng Pufang, the son of Deng Xiaoping, swiped at Mr. Xi's diplomacy in a September speech. ]

Privately, senior officials have admitted to difficulties in getting fresh measures approved. Vice Premier Liu He, Mr. Xi's top economic adviser, recently told a group of foreign officials that China knows it must do more to open its markets and reform its financial system, but explained that politics are tying Beijing's hands, according to a person familiar with the conversation.

Xiang Songzuo, a prominent economist at Beijing's Renmin University, told a weekend

forum that weakness in the economy is being compounded by the policy muddle, which is fueling pessimism, especially among private businesses. "The most fundamental problems that privately run enterprises really face aren't that it's difficult or expensive to secure financing," Mr. Xiang said. Rather, they are "fears of policy uncertainty and the government's untrustworthiness."

The government's information office didn't respond to requests to comment on criticisms against Mr. Xi and his policies. In dealing with the challenge, Mr. Xi has tried to appear conciliatory, without ceding authority. He called on the party last month "to unify thinking and coalesce consensus."

Mr. Xi has put off convening the Central Committee, the party's nearly 380 most-influential members, for an annual fall meeting held to set party direction. By the convention of recent decades, this fall's meeting should have focused on economic policy. Not holding the meeting, some experts said, allows Mr. Xi and his inner circle to keep dictating policies, without consulting the broader party elite.

Fulsome praise of Mr. Xi has rankled some party members in recent years—as did his decision this year [to rewrite the constitution](#) to allow himself to stay in power indefinitely. Tensions with the U.S. and the economic slowdown provided an opening for Mr. Xi's critics. Deng's first son-Deng Pufang, now 74 and crippled since Red Guards upholding Mao's Cultural Revolution tortured him—swiped at Mr. Xi's forward-leaning diplomacy in a September speech. Mr. Deng said China should "keep a sober mind and know our own place," echoing his father's calls for humble diplomacy.

Long Yongtu, Beijing's chief negotiator in talks to enter the World Trade Organization two decades ago, told a policy forum last month that the government erred by trying to retaliate against the Trump administration's tariffs on Chinese goods by [imposing levies on U.S. soybeans](#) and other agricultural products China needs. Mr. Long said such a move "should be the last resort."

A vivid illustration of the pushback against Mr. Xi played out at a museum in Shenzhen, where Deng is credited with setting the course that transformed a sleepy seaside town into a manufacturing and tech metropolis. Renovations this summer at the Shekou Museum of China's Reform and Opening-Up [replaced a Deng sculpture](#) with a wall adorned by a Xi quotation and screens showcasing local development. At the time, a museum executive said the revised exhibits "can stand the test of history."

By September, however, a Deng quotation was added to the wall above Mr. Xi's and the screens displayed Deng images. A month later, the wall and screens were gone altogether, replaced by a Deng sculpture similar to the original frieze. A museum spokeswoman said recent changes were made in response to visitors' feedback.

### **ROBERT BLOHM puts this into perspective:**

Dear Chris,

This is NOW, as we speak! Xiang Song Zuo is not answering his WeChat. Hope he's not in trouble already. A real hero! How long can Vice President Wang Qishan and Vice Premier Liu He protect Xiang, China's lone public speaker in opposition to Xi's speech?

See <https://www.boxun.com/news/gb/china/2018/12/201812181055.shtml> and put the text through [google.translate.com](http://google.translate.com).

Yesterday's Wall Street Journal featured Xiang's warning, in a speech last weekend, about "the government's untrustworthiness" among private business all faced with wanton policy risk. I commented on that in last night's Nelson Report, presenting Xiang as a protégé of Nobelist Robert Mundell who was paramount of the disappeared coterie of leading world economists who tried to guide China's Deng-inspired reforms until the opposition used the 2008 financial crisis as an excuse to run them aground, stage the coup that resulted in Xi, and reverse them in "the New Era".

Xiang's "shocking" speech was live-streamed and subsequently posted for a day until, on the eve of Xi's speech today, the Party's Central Propaganda Department took it down at the behest of disturbed top officials. In the speech he criticized China's "misjudgements" in the 2018 economic downturn, in the trade war with the US, and in the heavy losses being borne by private enterprises. He said the trade war has metastasized into a serious geopolitical conflict with the US, at a crossroads with no discernible way out. He said that Huawei is not simply a trade and economic issue, now that the US and its allies are completely blocking Huawei and bringing to a close China's era of strategic opportunity.

#### Xiang laid out 5 problems facing China:

1. Wrong direction of economic "reform". (China is relying too much on consumption and the services sector, which now account for 78.5 % of GDP growth, while investment has slowed down too much. In the 40 years of reform & opening up China has gone through 5 consumption waves that are coming to an end, where the latest, for cars and property, is falling sharply.)

#### 2. Intensified financial risk.

3. The stock market crash. (It's comparable Wall Street's collapse in 1929, with most stocks falling 80%, 90%, with Liu He taking the lead in successively trying several remedial policies unsuccessfully. With the stock market stuck at 2600, the question arises "when is Springtime coming to the stock market?" To which there is no answer because the stock market is pointing to the basic problem: China's real economy is in trouble.)

#### 4. The perverted financial industry.

5. The futile resort to short-term monetary policy. (Xiang grants that the latest National People's Congress and Party Plenum reports correctly highlight the "six major structural imbalances", and "unbalanced and inadequate development" in China's economy. But he then criticizes the government for resorting only to futile short-term adjustment of credit and monetary policy to address them.)

Xiang proposed 3 remedies: tax reform (reduced tax rates to reduce company losses, and reduced expenditure by streamlining bloated government and mass layoff of civil servants), reform of the political system, and national structural reform.

My reaction to Xi's speech is that the Party (increasingly fractious behind closed doors) is being held together by the increasingly thin thread of empty slogans and tautologies, and outright absurdities when those don't suffice.

For example: "No one is in a position to dictate to the Chinese people what should or should not be done". Yes, no one except the Communist Party. Moreover, it omits that the Chinese people could implement policies of other countries because they agree with them, not because the other countries impose them. So the empty phrase just begs the question "We have to decide policy. How do we do it?"

Maybe they really don't know how.

Or take "China will never seek hegemony". Yes, except when China expands its censorship and information control to the entire world by using state resources to suppress people abroad who act against the Communist Party's interest, on the basis of the divine doctrine that any information inside any human brain anywhere that impinges on the CPC is the prerogative of the Party to control.

Or how about the greatest social engineering project in history (based on no known "science" of social engineering) of converting an entire ethnic minority (in Xinjiang) into an army of atheistic, Party-loyal, menial-labor?

Stalin, step aside. It makes Islamic State gentle by comparison, except for the decapitations. China instead just reams out the brains and flushes in Communist Party foam cooked up by a massive good-for-nothing "teaching" corps of vicious limited-vocabulary grey-haired leftovers of the Cultural Revolution and their mentally challenged pupils and pupils' pupils, ever dependent on the Party like mental retards. They are the Party's own pool of dirt-cheap ideological labor, the physically-fit among them doubling as trouble-makers and muggers on demand.

**BOB MANNING joins Robert in seeing signs of stress and *maybe* weakness, passing along the following:**

**Japanese media notes some of the "Confucius Institutes" established on college and university campuses across the US with the sponsorship of the Chinese government are being shut down. The University of Michigan announced on Dec. 10 its plan to close the Confucius Institute on its campus next year and another five schools have also decided to close their institutes.**

**According to the National Association of Scholars, there are currently a total of 100 Confucius Institutes in the United States. The Asahi notes that moves to remove "Chinese soft power" are spreading in response to growing criticism on Capitol Hill that the institutes are function as "mouthpieces of the Chinese Communist Party" and threatening academic freedom.**

**BLOHM FOOTNOTE:**

*A long time in the making. I think they were already kicked out of U. of Chicago. Canada started it several years ago by getting rid of them from McMaster Univ in Hamilton, Ontario. A labor case of hiring discrimination against a Falun Gong member.*

**MANNING:**

*Put this together with the rejection of Huawei, China Mobile, etc, from one country after another, the backlash by newly created debtors to BRI, and US-EU-Japan taking on Chinese trade and investment practices and you could argue that Xi's game is unraveling:*

<https://twitter.com/fpsdpri/status/1074617389982003200>

*Chairman of Indonesia's foreign affairs national legislature commission "condemns the Chinese government's treatment of Uighur Muslims"*

## TAIWAN

**Your Editor also noted this by valued colleague Josh Rogin, but our Taiwan experts caution to calm down a bit:**

### **Washington Post**

### **China's interference in the 2018 elections succeeded - in Taiwan**

By [Josh Rogin](#)

While Washington is focused on [Russian election interference](#), China is rapidly advancing its own election-meddling capability using social media, illicit funding and false news. The Chinese government's massive and successful interference in Taiwan's elections last month shows Beijing is getting into the game in a major way.

Washington is slowly but surely [waking up](#) to China's multifaceted foreign influence operations. But many here remain skeptical about the threat of Beijing's direct interference in [American politics](#). The Trump administration said [Beijing interfered in the 2018 U.S. midterm elections](#), but [there wasn't a ton](#) of visible evidence. After what just happened in Taiwan, however, few can now argue that the Chinese Communist Party (CCP) doesn't have the means and the motive to perpetrate such acts.

"CCP attempts to erode democratic processes and norms around the world threaten U.S. partnerships and prosperity," six U.S. senators, led by Catherine Cortez Masto (D-Nev.) and Marco Rubio (R-Fla.), [wrote last week in a letter](#) to Secretary of State Mike Pompeo, Treasury Secretary Steven Mnuchin, Director of National Intelligence Dan Coats and FBI Director Christopher Wray. "Allegations such as those surrounding Taiwan's recent elections must therefore be pursued with seriousness and urgency."

The senators asked the Trump administration to work with Taiwanese authorities to investigate events leading up to the November elections that saw sweeping losses for the ruling Democratic Progressive Party (DPP) and its leader President Tsai Ing-wen. Beijing carried out a massive propaganda and [social media campaign](#) that spread false news designed to undermine Tsai's government. The CCP refuses to deal with Tsai in objection to her cross-Straits policies.

Tsai futilely urged Taiwanese citizens to see Beijing's effort for what it was - a [Russian-style influence campaign](#). The island's 23 million citizens were bombarded with anti-Tsai and anti-DPP content through Facebook, Twitter and online chat groups, promoted by China's "[50-cent army](#)" of paid social media trolls. There are also [dozens of investigations](#) into allegations that Chinese money went to fund Taiwanese candidates opposing Tsai and the DPP.

"If true, CCP interference in Taiwan's elections would be deeply concerning not only for Taiwan's future, but also for fellow democracies around the world where the CCP may choose to interfere," the senators wrote. "In an era of growing authoritarian interference, we believe such allegations must be taken seriously if free societies are to continue to thrive."

After the elections, [Chinese state media](#) pointed to Tsai's losses as evidence that her tough stance vis-à-vis China was unpopular and wrongheaded. Beijing's overall goal is to replace her with a more malleable leader in Taipei as part of its broad effort to exert control over Taiwan and weaken Taipei's relationships with the international community.

The Chinese government is [bribing or coercing foreign governments](#) to break diplomatic relations with Taiwan, pressuring them to evict Taiwan from international organizations. Beijing is also threatening foreign companies unless they [literally erase Taiwan](#) from their websites. Their ultimate goal is to dissolve the U.S.-Taiwan partnership and subjugate the island to the People's Republic of China (PRC).

"The PRC is engaged in an intensifying political warfare campaign that is aimed at isolating Taiwan by suppressing the island's international space so that all roads in and out must go through Beijing, while directly interfering with the island's political process by manipulating social and political tensions to subvert its democratic system," said Russell Hsiao, executive director of the Global Taiwan Institute.

That's a foreign policy issue that Washington should address for its own sake. But the fact that Beijing is using Russian-style political interference tools should prompt a full-scale national security alarm. The capabilities Beijing is honing in Taiwan could do huge damage if applied to the United States. China is testing them on a country it knows well but preparing for their use around the world.

There's credible evidence that China is already using cyber campaigns to interfere in the politics of other foreign countries, as [was seen in Cambodia](#) this year. There are more and more Chinese government-friendly social media trolls and bots on Twitter, [attacking American companies and journalists](#). Meanwhile, Chinese influence operations on American soil [are ramping up](#) as the U.S.-China relationship [continues to worsen](#).

There's a lot Washington can do. Rubio and Cortez Masto have [introduced legislation](#) calling for a comprehensive report on CCP influence operations inside the United States. The Trump administration has done well in calling out the problem, but must do more with allies to share information, develop counter-technology and bolster civil society for resilience.

The U.S. government is always [fighting the last battle](#) instead of preparing for the next one. Russian political interference is the short-term emergency, but Chinese political interference is the long-term challenge. Taiwan's recent experience shows just how bad things can get. The United States can't wait until it's too late.

### **SENIOR ANON:**

Chris:

Rogin's article simplifies the complicated dynamics of the Taiwan 2018 election. Did the Chinese have a field day using every trick in the book to try to influence voters - disinformation postings, using "friendly" Taiwanese owned/Chinese controlled media to hype certain candidates, dissing DPP candidates, etc? Sure, but my best sense is that there had to be fertile soil for such interference and it was there in abundance. Not unlike, of course, the Russians and the Trump election.

There was anger at DPP policies that spread through several important sectors of the population. Pension reform was desperately needed or pension programs for veterans, teachers and civil servants would have gone bankrupt. President Tsai bit the bullet on this issue. It had to be done. But could the reforms been spread out over a longer period, with

more attention paid to those who were on the lower end of the income spectrum? Could more information about the need for the reforms been communicated? Sure. Add these three populations up, with attendant family members and you get a big pool of unhappy voters

Labor Reform was high on the government's agenda. An attempt was made to ensure one full day and one flexible day off per week. Great. But to balance this, some of the holidays had to be cut back (and there were lots of holidays!). Labor groups wanted to get their two days, but wanted to keep their holidays. Small and medium sized businesses got buzz sawed by the changes that were made to try to correct the policy. More unhappy sectors.

Farmers associations were angry about actions by the DPP such as announcing the government would be nationalizing irrigation associations, taking away a source of revenue, patronage and power from local political factions. That sly fox Wang Jin-pyng kept close to his local rural factions in Kaohsiung and Taichung and delivered them to the KMT, thereby giving the finger to former President Ma and the KMT establishment which had shunted him aside. I should note the gay marriage issue as another factor which had some normally 'green' voters unhappy, both in the activist communities as well as in religious communities.

So, my take is that there was a "vote the bums out" mood in chunks of the electorate that the Chinese were able to try to exploit. Did the Chinese turn the election? I don't believe so, but active they were.

### **BONNIE GLASER, CSIS:**

Having just returned from Taiwan today, I agree with "Anon" that domestic governance issues were the main reasons for the DPP loss. Although there are concerns about PRC interference, the extent of that loss—approximately 2 million votes less than DPP candidates received in the last local elections in 2014—is not likely explained by PRC involvement. No one my delegation met this past week made such a claim.

Bonnie

## **COLD WAR WITH CHINA? (NO!)**

### **Experts say No Cold War With China**

18 Dec 2018

Terrence Matsuo, Nelson Report

Experts speaking today during a panel discussion at the Wilson Center said that US-China relations face difficulties, but are manageable and do not amount to a new Cold War. "The words you use to describe relationships actually affects your behavior," said Ambassador J. Stapleton Roy, who was posted in Beijing by President Clinton. "And therefore, it seems to me that talking about a cold war mentality between China and the United States obscures the very many areas where we have to cooperate with each other." Also on the panel was Professor Meredith Oyen from the University of Maryland, Baltimore County; Robert Daly of the Wilson Center; and Yun Sun from the Stimson Center. Katie Stallard-Blanchette from Wilson moderated the discussion, which can be viewed online [here](#).

The panel mostly agreed that it was wrong to draw any comparisons between Sino-American relations of this century, and Soviet-American relations of the previous one. Amb. Roy said that even when the US and China strongly disagree with each other, the spirit of

the US-China relationship "does not approximate the spirit of the types of negotiations that I was either participating in or on the sidelines of during the actual Cold War." Mr. Daly also noted that the term "cold war" did not accurately represent relations between the publics of the two states. He noted a [Gallup poll](#) from March, which found that American approval of China has reached a high of 53%. Polls from Gallup had previously shown Americans viewed China negatively since the crackdown in Tiananmen Square in 1989. "Alienation of the citizens of the Soviet Union from the United States was one of the major features of the Cold War, and Americans and Chinese are not alienated from each other, even remotely," said Mr. Daly, noting the high level of trade and people-to-people exchanges across the Pacific.

The panelists recommended that US policy focus more on itself and less on China. The Trump administration has identified China as a serious strategic threat to the US, and has rolled out policies specifically targeted at pushing back against Chinese influence in the world. Speaking at the US Chamber of Commerce this summer, Secretary Pompeo [announced](#) a series of initiatives boosting American economic support to the Indo-Pacific region, which is seen as a competitor to the OBOR initiative of China. Mr. Daly also noted that when NSA Bolton recently [spoke](#) of the Trump administration's Africa policy, he characterized it as being focused on countering China.

The experts said today that American policymakers must re-assess why other states may be falling into China's orbit. "I think the key question is not whether China is promoting its ideology but why its ideology is appealing," said Ms. Sun. "What viable alternatives are we offering them?...Are we giving them the alternative financing source that will satisfy their need for infrastructure development in their country?"

But China must also reassess its own approach to US relations. Ms. Sun said: "I'll say that the biggest misunderstanding on...China's part is that [they] believe that Americans will still believe everything China says." She added: "It's not just about what China says...it's also about what China delivers in the end."

While the last year has been tumultuous for US-China relations, panelists were cautiously optimistic that relations could be managed, and that war would not break out, cold or otherwise. "I do not see problems with China that are any more difficult than the problems that we have had with China in the past," said Amb. Roy, "If we use the full capabilities of the United States in order to try to engage with China in ways that defend our interests [without also ignoring] the areas where we need to cooperate with China."

## **MANAGING N. KOREA...or not ...Aidan Foster-Carter "on track" ...Biegun off to Seoul, not Pyongyang?**

**St. Dept Press Releases:**

### **Special Representative Biegun Travel to the Republic of Korea**

U.S. Special Representative for North Korea Stephen Biegun will travel to Seoul December 19-21. Special Representative Biegun will meet with ROK Special Representative for Korean Peninsula Peace and Security Affairs Lee Do-hoon and other ROK officials to further strengthen U.S.-ROK coordination on our shared objective of the final, fully verified denuclearization of the DPRK. While in Seoul, Special Representative Biegun and Special

Representative Lee will also co-chair a U.S.-ROK working group meeting to discuss U.S. and ROK efforts to achieve this goal, including through inter-Korean cooperation projects.

**Major Adult Supervisor Aidan Foster-Carter has LONG endeared himself to fellow Loyal Readers for puns and rhymes, and now shows a good grasp of metaphor, but first, on the Biegun item:**

*Chris,*

*In lighter vein, how about a Chris-tmas - oops, holiday - competition?*

*Best Cole Porter parody:*

*When will Biegun begin the beguine?  
Dancing with the other Koreans: his job.*

*Frivolously yours across the pond,*

*Aidan FC*

### **38North** **Could Peace in Korea Derail?**

BY: AIDAN FOSTER-CARTER

A *JoongAng Ilbo* juxtaposition caught my eye. Prompting, you might say, a train of thought.

The top two stories in South Korea's leading daily (online English version) on December 10 were 1) a [rail accident](#) in the ROK northeast; and 2) whether there is still time for Kim Jong Un to [visit Seoul](#) this year as planned. Substantively unconnected, but the symbolism is rich.

On December 8 the 0726 bullet train from Gangneung to Seoul—a line less than a year old, built for the Pyeongchang Winter Olympics—derailed at 103 mph, minutes after setting out. Nobody died, miraculously, though 15 passengers were hospitalized for minor injuries.

Why did this train jump the tracks? Not to jump the gun, but there are two main theories. (Note that these could be complementary—if hardly complimentary—rather than either/or.)

Technically it all sounds very simple, if appalling. The derailment happened at a junction. The points were set wrong, but a faulty signal failed to warn the train driver.

How could that happen? Korail, the Korean Railroad Corporation and national railroad operator in South Korea, does seem to have issues. Three days earlier, premier Lee Nak-yon [rebuked the state-owned service](#) after two other incidents. Transport minister Kim Hyun-mee visited Gangneung to apologize for "yet another accident," which she said shows "how imprecise operations have been at Korail." An interesting adjective to choose.

Opposition lawmaker Hong Chul-ho has tallied 661 accidents since 2013, 109 involving KTX trains. Though most were on former President Park Geun-hye's watch, Hong's Liberty Korea Party was quick to blame the incumbent, Moon Jae-in. LKP spokesperson Song Hee-gyoung claimed that a third of Korail's top management are placemen of the ruling Democratic Party (DP), with "little experience or understanding of railway operations." Korail's now ex-CEO, former lawmaker [Oh Young-sik](#), was one such "[parachute appointment](#)": a Moon aide with no background in transportation. Appointed only in February, he [resigned](#) on December 11.

The ruling camp does have a counter-argument. Under Park's war on bureaucratic red tape, state enterprises saw their [budgets cut](#). Korail had to outsource some maintenance functions, which along with less money may explain why standards-and trains-are slipping.

What has all this to do with North Korea? There are some direct implications. Top DPRK figures took the new KTX (South Korea's high-speed train) to Pyeongchang earlier this year. What if it had derailed then?

Nor does this sit well with ROK ambitions to rebuild DPRK railways. The North may yearn for locos that can "do the ton"-but not if they crash. However, this article is mostly not about literal inter-Korean railway cooperation, [fascinating](#) as that is. We're traveling with a metaphor here.

The big question is the one posed in my headline. As *38 North* readers know, all is no longer plain sailing-sorry, smooth-running-in the peninsula's peace **processes**. That plural is key. More than one thing is happening, or maybe not happening, or no longer going very fast. The vagaries of US-DPRK relations are familiar but my focus here is chiefly on the peninsula.

Like a North Korean train, which is prone to creak and break down, inter-Korean relations are not so much jumping the rails as grinding to a halt, fast. Perhaps the blistering pace they set at first-three summits in six months-was not sustainable indefinitely. (The same goes for President Moon's initially stellar approval ratings, but that's another story.)

Three summits this year were supposed to become four. There now seems no chance that Kim Jong Un's vaunted visit to South Korea will happen this month, as scheduled. Optimists told us that no news could be misleading. Pyongyang would insist that this trip be kept top [secret](#) for security reasons, until the young marshal suddenly jets into Jeju or Seoul or wherever. (Or by rail? Somehow, I doubt we'll see that famous armored train rolling across the DMZ.)

As feverish [rumors](#) swirled in Seoul of dates and likely locations, Unification Minister Cho Myoung-gyon [told](#) the National Assembly on December 5 that "nothing has concretely been discussed" regarding Kim's visit and schedule. I believe him, not least because Kim's cold feet are far from the only instance of a marked deceleration in many aspects of inter-Korean relations lately. (Military matters are an exception; more on that below.)

Take family reunions. Easy enough to organize, with no breach of sanctions. August's tearful [scenes](#) at Mt. Kumgang were the first of such in three years. Soon after, Moon and Kim signed the [Pyongyang Declaration](#). *Inter alia* they committed to "strengthen humanitarian cooperation to fundamentally resolve the issue of separated families," including a permanent facility at Mt. Kumgang and arranging video meetings and messages "as a matter of priority through inter-Korean Red Cross talks." Erm, what Red Cross Talks? And why are no further reunions planned? Winter isn't the ideal [season](#), but at least a schedule could be set for spring.

Another example is the new permanent inter-Korean liaison office at Kaesong. When this opened in September, Minister Cho gushed that the two sides could "[directly discuss issues 24 hours, 365 days](#)." But they haven't. The joint heads were supposed to meet weekly, but this immediately slipped to monthly. There just isn't that much to liaise about until inter-Korean economic cooperation gets off the ground. They last met on December 7, amid speculation that they would discuss "That Visit." Only, they [didn't](#).

Back to our train of thought. Granted, crawling to a halt is different from jumping the rails.

But the result is much the same. This train ain't moving, or hardly. What has gone wrong? This is where I find the railway metaphor rich. A junction with the points switched wrong? One track, familiar, connects Seoul to Washington. Another, the track less taken, points to Pyongyang. Can Moon ride both sets of rails simultaneously, without derailing? Tricky.

Pangneung's communications failure also strikes a chord. The driver didn't know the points were set wrong. Between the Koreas, or rather the triangle they make with the US, who gets to know what is more complex-and any failures are less technical than political.

Reuters recently alleged, plausibly, that the Moon government has seen [heated debates](#) about how much to tell Uncle Sam. The latter, incensed at being kept out of the loop, insisted on a formal bilateral working group. This has been busy: convening first in DC on November 20 and then by video link, with a third meeting due this week when the US special representative on North Korea policy, Stephen Biegun, pays his second [visit](#) to Seoul. (Four months into the job, he has yet to go to Pyongyang or meet with any DPRK representative.)

If the foe won't talk, at least allies can liaise. But the political crux won't go away. Is Seoul out of line if it doesn't clear every last detail of its outreach to Pyongyang with Washington, or at least give full prior notification? Or is South Korean sovereignty at stake here? This issue of course enmeshes with sanctions, which further constrain Moon's freedom of maneuver.

Parachute appointments? There is an analogy here too. Just as political appointees may not grasp the full technical processes and aspects of such concepts as denuclearization and demilitarization, the ROK military-[some](#), anyway-may fret about the security implications of the push for peace; especially the no-fly zones and other steps agreed to at the Pyongyang summit. As those are very much driven by political goals, is there a risk of [compromising](#) military preparedness? I am reassured by the newish Defense Minister Jeong Kyeong-doo's recent [call](#) for "unshakable" readiness. But this aspect has to be kept in mind.

Also relevant is the contestedness of politics. Just as conservatives and liberals quarrel about whose policies weakened Korail such that accidents are happening, they are divided on the far more important issue of North Korea. Hawks and doves are poles apart, yet (as I said [here](#) before) Moon should try harder to build a bipartisan consensus on how to handle the North if he wants this process to be sustainable, especially now that budgets need to be approved.

Even minister Kim's choice of adjective resonates. If Korail's operations are "imprecise"-harsher terms could be imagined-then so, increasingly, is the Korean peace process. While appreciating the progress made in this energetic and welcome year of diplomacy, one begins to sense a loss of momentum and a certain vagueness. As with US-DPRK relations, the mood is good, which can't be bad. But what exactly is this train carrying, and where is it headed?

Some readers may reckon it's me who is off the rails here. Switching from metaphorical to literal railways, isn't the peace train rolling along just fine? In unprecedented cooperation, joint North-South inspection teams recently [surveyed](#) the full length of the DPRK's two main railway lines, up the east and west coasts. And December 26 will see a "groundbreaking [ceremony](#)" for both rail and road reconnection at Panmun, just north of the DMZ.

That's fine, as far as it goes. Only right now it is going nowhere. The inspection trip apart-and even that was abruptly [blocked](#) at first by the UN Command, i.e., the US-no trains will

actually run and no railways will get modernized any time soon, due to sanctions. This is symbolism without substance. We already have "denuclearization" without any actual denuclearization. This groundbreaking is equally nebulous, or at best aspirational. Talk of motion is just talk, not motion. The two Koreas are not actually about to do the locomotion.

Reverting to metaphor: Ultimately this comes down to who is driving. Putting Korea back in the driver's seat has long been Moon's ambition and one of his favorite [metaphors](#), though I assume he had autos in mind rather than trains. Whichever, in a sense, he has succeeded. Compared to a year ago, the driver's seat regarding the Korean Peninsula is now located firmly on that peninsula.

Yet despite all Moon's laudable efforts, the Korean leader driving all this is not him, but Kim Jong Un. And if the train is not currently going forward very fast, or at all, that is because the man in Pyongyang has chosen to apply the brakes recently. We may hope he will revert to the accelerator soon, while praying that nothing happens to send the train off the rails.

But all this is up to Kim. He started it. It's him at the controls, steering skillfully-if not always to our liking. He will soon give his annual New Year address. If, as I expect, this echoes the critical tone of recent lower-level DPRK [commentary](#), there is a real risk that the peace train will wobble or even derail in 2019, unless all parties strive much harder to meet each other's [demands](#). Moon, the navigator and go-between, will have his work cut out next year to keep the train on track and chugging forward.

## Politics -- Ours and Theirs

### CAUTION: PSYCOPATH AT WORK

**\*\*\* More from the NBC/WSJ poll: Public is increasingly pessimistic about the U.S. economy:** These numbers from our recent NBC/WSJ poll should be getting more attention: The percentage of Americans believing the economy will get worse in the next 12 months is at its highest point since 2013. Overall, 28 percent say the economy will get better in the next year, 33 percent think it will get worse and 37 believe it will stay the same.

Those numbers were essentially reversed last January: 35 percent said the economy would get better, 20 percent said it would get worse and 43 percent said it would stay the same.

And by the way, the day after the Dow Jones fell more than 500 points, the Wall Street Journal [runs this headline](#): "Global Stocks Falter After Sharp Selloff on Wall Street."

#### **NY Times Op Ed excerpt:**

...Whatever his ultimate plan - assuming he has one - the president is clearly looking to wring every ounce of drama he can from this game of chicken. These standoffs jibe neatly with his belief that negotiations, and life in general, are a never-ending battle of nerve. He lives to make the other side blink and is eager to signal that he'll do whatever it takes to win.

Shutdowns are especially fertile ground for Mr. Trump because they pit him against a political establishment that, as he sees it, obstinately refuses to pay proper deference to his genius. He has repeatedly voiced frustration at Congress's unwillingness to lie back and let him run things as he sees fit. Threatening to throw the government into chaos - to [furlough](#), or in the case of personnel deemed "essential," [withhold paychecks](#) from hundreds of

thousands of workers, including Food and Drug Administration inspectors, Transportation Security Administration inspectors and, paradoxically, Border Patrol agents - lets him exact a bit of cathartic payback, reminding lawmakers just how uncomfortable he can make their lives.

Chest thumping and trash talking remain central to Mr. Trump's brand as a disrupter. His followers thrill to him precisely because of his pugilistic, vaguely unhinged personality. The more he rails against politics as usual, the more his base swoons.

As for those who see Mr. Trump as behaving like a petulant toddler, he doesn't have to face their electoral judgment for another two years - an eternity in politics. For now, the president can relish playing the tough guy. Even if he winds up folding, he'll doubtless toss out some alternative facts and declare victory. As usual, he has ensured that this holiday season's drama is all about him.

### **Excerpt from W. Post Obit for an eminent presidential historian Fred Greenstein:**

[https://www.washingtonpost.com/local/obituaries/fred-greenstein-scholar-of-the-american-presidency-dies-at-88/2018/12/12/f2bfdd54-fd97-11e8-862a-b6a6f3ce8199\\_story.html](https://www.washingtonpost.com/local/obituaries/fred-greenstein-scholar-of-the-american-presidency-dies-at-88/2018/12/12/f2bfdd54-fd97-11e8-862a-b6a6f3ce8199_story.html)

...He spent the bulk of his career focused on presidents, having been inspired by Richard M. Nixon's downfall in the Watergate scandal to explore their personalities and leadership styles. "Why, I wondered, was that politically gifted chief executive, whose first term had resulted in such dramatic achievements as the opening to China and detente with the Soviet Union, succumbing to what was plainly a self-inflicted political disaster?" he once recalled thinking.

Dr. Greenstein effectively spent the next two decades working out an answer, broadening his research to develop a systematic approach to evaluate each president's performance in office...he became a reliable source for journalists seeking context on the potential presidential campaign of Colin L. Powell (his knack for remembering names reminded Dr. Greenstein of Hubert Humphrey) or the impeachment of Bill Clinton ("He'll be remembered as a kind of low-achieving Nixon").

Dr. Greenstein's work centered not on the policies of particular presidents or the relative merits of their agendas, but on their effectiveness as leaders - on the means they employed, rather than the ends they sought.

For Dr. Greenstein, six qualities were essential to shaping a president's success or failure: public communication ability, organizational capacity, political skill, vision of public policy, cognitive style and emotional intelligence.

"For journalists," said the late Washington Post reporter [David Broder](#), "it is a great checklist as to what we ought to be - but probably are not likely to be - looking for in a presidential candidate."

As he did for his work on Eisenhower, Dr. Greenstein immersed himself in archival materials, while also interviewing associates of the presidents. As in the case of Gerald Ford, Jimmy Carter and Clinton, Dr. Greenstein met with some of his subjects. Political experience hardly ensured success, he found, and while cognitive ability was important, it was not entirely essential.

What seemed to matter above all was that elusive quality of "emotional intelligence" - "the president's ability to manage his emotions and turn them to constructive purposes, rather

than being dominated by them and allowing them to diminish his leadership."

Lyndon B. Johnson, Carter, Clinton and Dr. Greenstein's scholarly muse, Nixon, all "had impressive intellects and defective temperaments," Dr. Greenstein wrote, adding: "All four presidential experiences point to the following moral: Beware the presidential contender who lacks emotional intelligence. In its absence all else may turn to ash."

## **TRUMP GETS "IT'S THE ECONOMY"**

**Looks like he's backing down on the politically suicidal Wall shutdown?**

**Associated Press**

**For Trump, the economy is a potential 2020 storm cloud**

By JONATHAN LEMIRE and CATHERINE LUCEYle)

WASHINGTON (AP) - Forget Robert Mueller.

The greatest threat to President Donald Trump's re-election bid may not be the slew of investigations closing in on his Oval Office but a possible economic slowdown. And the president knows it.

The Dow Jones Industrial Average fell again Monday, the latest dip in the roller coaster markets amid the strain of Trump's trade war, rising interest rates and worries about a slowing global economy.

Trump, who has tied his political fortunes to the stock market in an unprecedented fashion, has nervously watched Wall Street, keeping an eye on the cable television ticker and barking at his aides for updates. And while he continues to talk up America's financial might, he has repeatedly and publicly rebuked the chairman of the Federal Reserve for interest rate increases he feels could slow the economy.

Trump made his feelings clear again Tuesday, a day before the Fed is expected to raise its key interest rate for the fourth time this year.

"I hope the people over at the Fed will read today's Wall Street Journal Editorial before they make yet another mistake. Also, don't let the market become any more illiquid than it already is. Stop with the 50 B's. Feel the market, don't just go by meaningless numbers. Good luck!"

He said Monday on Twitter that "It is incredible that with a very strong dollar and virtually no inflation, the outside world blowing up around us, Paris is burning and China way down, the Fed is even considering yet another interest rate hike. Take the Victory!"

Throughout Trump's term, the economy has been strong. And while the president credits his aggressive tax-cut package and deregulation efforts, the gains in fact began under President Barack Obama.

Optimism about the economy has cooled somewhat this fall as Trump's trade fight with China rattled the markets.

Fond of citing job statistics and market reports, Trump has appeared highly attuned to the shift. After unnerving much of the global financial system by imposing tariffs, Trump seemed eager to ease anxiety recently, striking a trade truce with China after a dinner meeting during an international summit in Argentina. And when that move only briefly buoyed confidence, Trump set off on an erratic bout of tweeting that rocked the markets even more.

First Trump declared himself a "Tariff Man," promising to inflict as much economic pain as possible - a move that horrified investors. A day later he sought to minimize the anxieties, saying there were "very strong signals" that China was negotiating in good faith.

"Not to sound naive or anything, but I believe President Xi meant every word of what he said at our long and hopefully historic meeting," Trump tweeted.

Stocks fell again Monday as both the Dow and the S&P 500 are on pace for their worst December performance since 1931, when they were battered during the Great Depression. As investors turned to an upcoming meeting of the Federal Reserve, its chairman, Jerome Powell, has repeatedly been the target of Trump's wrath, as the Fed has been raising interest rates to make sure that the lowest unemployment in nearly five decades does not start pushing inflation higher. Arguing that the rate hikes hamper economic growth, Trump has openly questioned Powell's leadership.

"I think the Fed is making a mistake. They are so tight. I think the Fed has gone crazy," the president said in October. No longer tweeting much about the stock market, Trump has criticized Powell privately as well and has told confidants that he understands that a recession would be perilous for a president who once mused about the Dow hitting 30,000. (Its record was 26,828 in October.)

Although Trump is not seriously considering making a change at the Fed, he has repeatedly insisted that his businessman background allows him to understand the economy more than Powell, according to four White House aides and outside advisers who were not authorized to discuss private conversations and who spoke on condition of anonymity.

"He thinks his legacy is going to be the guy who rebuilt and revived the U.S. economy. He's totally focused on that," said Stephen Moore, a former Trump campaign adviser and visiting fellow at the Heritage Foundation. "He understands that if the economy remains strong, he'll be re-elected. He's completely focused on the economy. He does follow the stock market, he does follow the stock reports, he does follow the jobs report."

Democrats considering challenging Trump in 2020 have begun putting forward their own economic plans. But a senior White House official said Trump remains confident in the economy, citing low unemployment numbers, GDP growth and growth in manufacturing jobs, among other indicators.

The official, who wasn't authorized to speak publicly, said Trump is watching the indicators closely and is regularly briefed by Larry Kudlow, director of the National Economic Council; Treasury Secretary Steven Mnuchin; and Kevin Hassett, chairman of the Council of Economic Advisers.

"The American economy is booming," Kudlow told The Associated Press. "While economies around the world are struggling, our economic fundamentals are incredibly strong."

Trump is right to worry about how an economic slowdown could affect his presidency. Bill

Clinton aide James Carville's famous mantra during the 1992 presidential campaign was: "It's the economy, stupid." And the nation's financial health is often key to a president's re-election chances.

The last two presidents who failed to be re-elected, Jimmy Carter and George H.W. Bush, were primarily done in by faltering economies, said presidential historian Douglas Brinkley.

"It's hard to convince the public to give you another chance if the economy is not doing well," said Brinkley, a professor at Rice University. He suggested that even voters who do not like Trump's personal behavior "tolerate him because they think he is good for Wall Street and jobs. If there is an economic downturn, that is going to take a devastating effect on him."

**THAT'S IT FOR TONIGHT...**

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