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What Does A Biden Administration Mean For Us-China Relations?

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As Joe Biden settles into his first term as US president, few issues will be more pressing to him than his administration's approach to China. An economic heavyweight that is on the ascendancy—and with which the United States had an increasingly fraught relationship over the previous four years—China represents arguably Biden's biggest foreign-policy challenge. It is thus worth recognising that the approach the new president adopts over the next few years will have not only major repercussions for international trade but also massive economic and geopolitical implications for the two superpowers and much of the rest of the world.

What's more, it would seem that China's relatively quick economic recovery from the coronavirus *vis-à-vis* the US only brings Biden's task more sharply into focus. With official figures reporting a 2.3-percent gross domestic product (GDP) growth rate for China in 2020, compared with advance estimates of a 4.0-percent contraction in the US as the virus continued to pose a grave danger to Americans, it would seem that China continues to gradually erode the dominance of its economic rival.

Focus Economics expects that China's nominal GDP rose to 71 percent of that of the US in 2020, from 67 percent in 2019, and will reach 82 percent by 2025; it continued to narrow the US lead with its positive growth rate last year—a rarity in a world devastated by the global pandemic. "Some economists are sceptical of the accuracy of official Chinese national accounts figures, but a raft of other indicators paint a similar picture: Merchandise exports surged in [the] third quarter, retail sales are back in positive territory, and industrial production is booming," Focus Economics economists Oliver Reynolds and Arne Pohlman wrote in *Harvard Business Review* in December. "While some of these gains may be temporary—China's share of world export markets will surely ebb as other countries overcome the virus—the underlying picture is still positive. This is enabling China to close the gap on the US."

So, how exactly will Biden proceed? Perhaps not as forcefully as some might have assumed. In early December, for instance, Biden acknowledged that he will not immediately cancel the trade agreement reached with China by his predecessor President Donald Trump, nor will he abolish tariffs on Chinese exports. However, he did signal that he will target China's abusive practices, such as stealing intellectual property, dumping products, illegal subsidies to corporations and forcing tech transfers from US companies to Chinese counterparts. Biden will most likely pursue those trade policies that lead to progress in addressing such practices.

The former administration's trade chief, Robert Lighthizer, urged Biden to maintain tariffs on China, mainly as they have helped to tilt power back towards the US. "I think in some parts they (China) have done a reasonably good job, in other parts they haven't," Lighthizer said in an interview with Reuters in December. But he also highlighted that Beijing is behind on its purchase commitments as part of the Phase 1 deal requirements it struck with the US in early 2020, which required it to purchase a target of $172 billion in US goods and services, open up its financial markets and ease pressure on certain US companies. But it has ended up buying little more than half of that target, although the marked decline in energy prices and slump in demand for Boeing planes due to the pandemic certainly played a role in that failure. Lighthizer has recommended using the dispute-settlement process to resolve specific issues whilst keeping tariffs in place. "I think if you see the tariffs dissipating that's a signal that we're not serious about understanding that China is a strategic adversary," he said.

And while it seems unlikely that the two nations' outstanding trade disputes will simply be reset under the Biden Administration, relations between the two are likely to be less acrimonious than they were under Trump. According to a survey of 67 institutions carried out by Focus Economics from October 15–20, most believe a warmer relationship with China is on the horizon. "A majority of our panellists expect Biden to lift some of Trump's tariffs and restrictions on Chinese tech firms," the study found, although respondents also said that disagreements between the two superpowers would likely persist given their radically different societal models, as well as the fact that US opinion towards China in recent years had become consistently less favourable among both the public and Congress.

The Biden Administration is also less likely to rely on unilateralism. "The best China strategy, I think, is one which gets every one of our—or at least what used to be our—allies on the same page," Biden told *The New York Times* in December. "It's going to be a major priority for me in the opening weeks of my presidency to try to get us back on the same page with our allies." And in late December, Biden reiterated this need for stronger coalitions, urging partners and allies of the US to jointly hold China's government accountable for its abuses on trade, technology, human rights and other fronts. "On any issue that matters to the US-China relationship—from pursuing a foreign policy for the middle class, including a trade and economic agenda that protects American workers, our intellectual property and the environment—to ensuring security and prosperity in the Indo-Pacific region, to championing human rights—we are stronger and more effective when we are flanked by nations that share our vision," Biden said.

This sentiment has been echoed by Biden's secretary of state, Antony Blinken. "When we're working with allies and partners, depending on who we bring into the mix, it's 50 percent or 60 percent of GDP," Blinken said last July. "That's a lot more weight and a lot harder for China to ignore." But such plans are likely to be somewhat scuppered, with China having signed an investment pact with the European Union (EU) at the end of 2020. The pact was agreed upon despite pleas from the Biden camp for the EU to delay its final approval to achieve some alignment with the US in their stance towards China, which, as then-Deputy National Security Advisor Matt Pottinger put it, left many in the US "perplexed and stunned".

Ultimately, therefore, Biden may not achieve every aim of his purported China policy, as it will take time to build an international coalition working towards a common set of goals. The Trump Administration also leaves behind it a raft of measures that will be difficult to reverse via the legislative branch of the government, especially given the slim majorities held by the Democrats in both chambers of Congress. And Biden will be only too aware of the danger of adopting an approach that ignites criticism for being too soft on China and the need to appease those domestic industries such as steelmaking that have benefited economically from Trump's protectionist stance.

As such, it will take some time to set the right tone and build the necessary strategic alliances, which means the new administration is likely to end up adopting a more gradual resistance towards China based on bipartisan concessions with Republicans. "I think the Biden administration is not going to move fast on those tariffs, and that is just smart politics," Brian Pomper, a former trade staffer for the Democrats on the Senate Finance Committee, told *Politico* magazine in January. "Any move on China that isn't an escalation will be attacked by Republicans as being weak on China."

Some of Biden's staff picks in this area also provide more clues about the approach his administration will adopt. For instance, the president has chosen Katherine Tai as the top US trade representative, tasked with enforcing import rules and negotiating the terms of trade with China and other trading partners. "She will have to navigate the differences within her own party again in the Biden administration, and this experience will serve her well," Inu Manak, a research fellow at the pro-free-trade Cato Institute in Washington, D.C., told S&P Global Market Intelligence in December. "Tai will also likely bring a lot of substance back to trade policy discussions, moving us away from the heated political debates of the last four years. She appears to be a very strategic thinker that is acutely aware of both offensive and defensive US trade interests."