

Biden on China: Decoupling or Competitive Re-coupling?

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Global Research, February 22, 2021

[East Asia Forum](#) 19 February 2021

Region: [Asia](#), [USA](#)

Theme: [Global Economy](#), [Intelligence](#)

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The Trump presidency somewhat decoupled the US and Chinese economies: relations have been damaged by tariff wars, the closing of consulates, the blacklisting of technology companies and the delisting of companies. The future of US-China relations under the Biden administration is still highly uncertain. Biden has promised to ‘be tough’ on China and his cabinet picks reflect this, but it is not yet clear what ‘being tough’ entails and what end it intends to serve.

The Biden administration is unlikely to escalate decoupling and instead steer US-China relations in a more positive direction.

The trade war has done more harm than good for the United States. Heightened tariffs did not reduce the US trade deficits. [The deficit with China](#) was US\$276 billion in 2017, rose to US\$296 billion in 2019 and further to US\$317 billion in 2020. US trade deficits with other countries also grew: the average annual trade deficit in Trump’s first three years was [US\\$556.9 billion, a 17 per cent increase](#) from the four-year average of Obama’s second term.

Imposing tariffs also failed to sway China on fundamental interests. China did make some structural reforms on the demands of the Phase One trade deal. For example, it has met [50 out of 57 technical commitments](#) to ease agricultural trade barriers and passed a new Foreign Investment Law to ban forced technology transfers. But these adjustments aligned with its own long-term interests of market reform. The trade deal may only have accelerated the reform process.

The trade war has cost US consumers and businesses dearly. According to a study commissioned by the US-China Business Council, the trade war cost the United States [245,000 jobs](#) at its peak. Should it continue to escalate, it could cost the United States US\$1.6 trillion dollars over the next five years.

A technology or finance war would also be counterproductive. Decades of globalised production have allowed China to establish a firm foothold in the global supply chain that is now [impossible to shake](#). A recent survey by the American Chamber of Commerce in Shanghai indicated [that over 80 per cent](#) of US businesses do not plan to relocate from

China. US firms are eager to access China's vast markets, with its 300 million-strong middle class.

From both the supply and demand sides, it is costly, if not unrealistic, for the United States to decouple from China. The United States has worked tirelessly over the years to push for China's reform and opening — for example, working to facilitate China's access to the World Trade Organization. It is time for the United States to reap the benefits, rather than boxing itself out of the Chinese market.

Biden's approach towards China is couched in his domestic priorities, including the four crises of the COVID-19 pandemic, economic recession, climate change and racial injustice. On all these fronts, it would be helpful to maintain a good relationship with and coordinate, or better yet collaborate, with China. A global health crisis requires a global response, as does global economic recovery. Fighting climate change certainly calls for the joint effort of the world's two largest emitters. And demonising China will only heighten racial hatred towards Asian Americans. Ultimately, 'being tough' on China would work against Biden's domestic interests.

Biden's domestic efforts could instead cool US-China tensions. Revitalising the US economy would require, as he has pledged, investing in infrastructure, clean energy and education, and boosting working class bargaining power. The US-China decoupling move was substantially motivated by [populist politics](#), supported by millions of Americans who feel left behind by globalisation. Helping those 'left behind' to get back on their feet and share in the economic prosperity of globalisation could help quell anti-China sentiment in the long run.

Biden is determined to [revert to multilateralism](#), but this provides little room to 'be tough' on China. Trump's damage to the US multilateral system is beyond a quick fix. Biden signed executive orders returning the United States to the Paris agreement and the World Health Organization, but domestic sentiment means it is much harder to re-join the Trans-Pacific Partnership. US allies and friends may also reasonably question its ability to commit beyond the four-year presidential cycle. There is also little appetite among US allies in [Asia](#) and [Europe](#) to develop cooperation aimed at 'being tough' against China after establishing close economic partnerships.

The most practical approach to 'being tough' would be 'competitive recoupling', where the United States and China carefully manage their differences, coordinate and collaborate on areas of common interest, and compete on equal footing in areas such as technology and trade.

How the US-China relationship will evolve depends not only on Washington but also Beijing. Now that a new US administration is expected to adopt a more constructive and less antagonistic tone, Beijing should also consider toning down its assertive stance, and returning to Deng Xiaoping's approach. It should also assume the responsibilities of a rising global power and abide by agreed rules. A more open-minded, modest and trustworthy China would foster a friendly international environment that is conducive to its own economic growth.

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