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Confrontation, Cooperation or Isolation? What will China's Foreign Policy Look Like During Biden's Presidency

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As the globally difficult 2020 came to an end, China is entering a challenging and perilous period unlike any other in its long history. COVID-19 pandemic, widely believed to have originated in Chinese Wuhan, severely damaged China's international image, especially among Western democracies. At the beginning of the millennium, Chinese policymakers reached a conclusion that favorable political and security environment presented China with a 'strategic window of opportunity' for the next 15 to 20 years, during which the country should strive to achieve its economic, social and security development goals. It was believed that at some point, the West would become wary and agitated by China's rise – which would in turn lead to a shift towards less favorable conditions.

Yet for all its strategic acumen, Beijing could not have possibly foreseen the degree to which the US would change its narrative and policy towards China, how quickly relations would

deteriorate, or how would these narratives influence America's allies. Now, China has to deal with the political and economic fallout from the pandemic on all levels with increasing pressure from the US and its allies. The difficulty of this task is defined by its relative newness. The country has previously never been engaged in a superpower competition as a technologically advanced, independent and norm-defining force. It's not possible to call upon a similar period from China's history or invoke a somewhat mythologized Deng Xiaoping's foreign policy advice of "keeping a low profile and biding one's time". An economy and power now second only to the US, China was never perceived as a systemic rival and a threat to Western democracies and economies. Beijing now finds itself in a negative limelight, subject to tariffs, personal sanctions, investment scrutiny and criticism under the shadow of looming digital, economic, and scientific neo-deterrence. Understandably, China feels forcefully and unnecessarily dragged into the center of the Western zero-sum stage to play a part it was not ready to play.

A two speed policy

In the context of relations with the US, it's obvious that current attitudes are a part of a broader trend, which will not change much under Joe Biden's presidency. One of the most prominent Chinese IR scholars, Wang Jisi, pointed out four main perspectives on possible causes that drive this trend in the US: logic of power, difference in political ideology, economic interests, and substitution of domestic problems with external threat. Since the reality is most likely a combination of all of the abovementioned, any significant effort to restore US-China relations will be a tedious, complex and multilayered task that cannot be solved by simply smoothing out one variable.

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As Washington will continue to pressure China on various issues and promulgate the idea of limiting China's growth, Beijing will have to make a strategic turn inwards. It's an obvious and pragmatic choice; partially intended and partially caused by circumstances. Most significant signal of the turn inwards is the introduction of "Dual Circulation Economy" concept, which was first mentioned during Politburo meeting in May and included in 14th five-year plan during 5th plenary of the Communist Party Central Committee in October 2020.

Dual Circulation Economy (DCE) concept prioritizes internal consumption and development – poverty alleviation, smarter allocation of resources and investments, indigenous R&D, technological and digital

self-reliance, education, population spending incentives, building resilient market, fiscal policy for domestic growth etc. The second layer consists of international trade, inbound investments and capital flow to China, negotiation of Free Trade Agreements, Belt and Road Initiative projects, and further liberalization of its market for foreign companies – all of which are there to support the domestic core. Yet DCE does not imply crude isolationism.

Regional benefits

Together with 14 other Asia-Pacific nations, China recently co-signed the World's largest free trade agreement, the Regional Comprehensive Economic Partnership (RCEP). RCEP is the first multilateral trade agreement China has ever joined. It's also the first trade agreement to include China, Japan and South Korea. RCEP suggests several things. Firstly, China will resist isolation – its size and national goals simply cannot be sustained by self-imposed or forced isolation. What China seeks is a meaningful cooperation and dialogue with stakeholders devoid of ideological or political hostilities. After all, it is only natural: the biggest share - 931 billion USD - of China's 2.1 trillion USD worth of exports goes to Asia-Pacific. Half of all imports come from the same region. Moreover, ASEAN nations are skilled at separating politics from economy.

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Secondly, China is willing to conform to group multilateral norms. The RCEP is a very large agreement that required compromise with a host of different nations. The RCEP provisions and standards may lack advanced liberalization as set by the rival CPTPP (former TPP) but it's still a very large step towards multilateralism and shared rules. Despite China being one of the original designers of the concept, in such a diverse and big group of nations, Beijing is neither a leader, nor *the primus inter pares*. Despite Washington claiming otherwise, this indicates an evolution towards greater acceptance of international norms and rules-based conduct even if in a more agreeable environment. Diplomatic hints about the possibility of joining CPTPP further strengthen the notion. Somewhat paradoxically, it seems that China's greatness and growth depend on the amount of economic and political dominance it is willing to *give away or share* with other regional players. Perhaps China's elites are aware of this.

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Thirdly, Beijing will try to stand up to the US pressure and strategically exploit its foreign policy weaknesses and misses. It is not about direct confrontation. China hopes to fill the Asian void left by Trump's denunciation of the former TPP to its own advantage. Should the US under Biden decide to re-negotiate return, Chinese involvement in the RCEP would, in theory, serve as a check and balance because several RCEP nations, such as Japan, are also in the CPTPP. Finally, the greater the economic interconnectedness among nations, the less feasible it is to choose sides and pursue confrontational policy.

Internal dynamics

In the context of global politics and relations with the West, Chinese foreign policy during Biden's presidency and beyond will be shaped more by China's internal dynamics than outside factors. Alongside abovementioned Dual Circulation Economy and focus on building regional capacities, China will go through a crucial domestic political phase. In 2022, halfway into the Biden's presidency, Chinese Communist Party will hold its 20th national Congress, where the Party will chose the country's top political line-up and the leader. Informal internal rules prohibit General Secretary to cling to power for more than two mandates, or to be elected on key posts after reaching 68 years of age. Many fear that Xi Jinping, currently 67 years old, will break the tradition and take the third term.

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And while there is no model or means for predicting the outcome of Chinese secretive top-power plays, we do know that the choice of (a new) General Secretary and Politburo Standing Committee line-up will be determined by the comprehensive assessment of China's international and domestic challenges, and *guoji geju,* or international (relations) pattern. Consequently, the choice will determine China's foreign and domestic policy. Then there is the Politburo Standing Committee – the Party's inner core - whose size is not fixed (currently seven members). The Standing Committee size has varied depending on the political circumstances. During Hu Jintao's mandate, it had nine members and was associated with a more pronounced consultation-based approach and intra-leadership democracy. At some points during Mao Zedong and Deng Xiaoping's leadership, Politburo Standing Committee was smaller – six or five members – in order to shorten the decision-making process and manage crises more effectively. In other words, the size of Standing Committee will also give a hint of the prospective political path.

A variety of scenarios can play out, leading to a more liberal or a more conservative policy. Due to the recent constitutional change that removed two-term limit for the presidency, Xi may step down from the post of General Secretary but continue to be the country's de-facto leader as president. In current situation, Chinese military designs will face bigger obstacles and limitations. On one hand, the US may try to regain lost positions in the Asia-Pacific and increase its presence, restore military ties with allies, and scale up Freedom of Navigation Operations. On the other hand, conducting larger and bolder naval operations is undesirable in the context of the newly formed economic regional partnership. Nevertheless, with the US poised to ramp up pressure on Chinese presence in East and Southeast Asia, Chinese military could be lured into unwanted, potentially dangerous waters.

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Most critical issue is, as always, the issue of Taiwan. The Trump administration recently unveiled a set of policies that could seriously undermine strategic rapprochement-era trust and mutually agreeable interpretation of One China policy. These include remarks that Taiwan has not been a part of China, a decision to send the US ambassador to the UN to Taiwan for a visit, and nullification of all existing State Department "self-imposed" restrictions that have for years stopped the US to conduct various types of sensitive high-profile government and military visits and contacts with the island. Furthermore, Trump has made it clear that the US should step up its military cooperation and expand arms sales to Taiwan. While it is highly unlikely that Biden administration will expand the scope of aggressive policy towards China, it is more likely than not that some policies – including the Taiwan ones - will remain in place and become a new baseline for US-Taiwan-China relations. If the US does not reverse its proactive stance towards Taiwan or show political and rhetorical restraint, the leaders in Beijing will continue to increase China's military capabilities around the island.

One should keep in mind the influence of the Chinese military, which is known to have pressured leaders like Jiang Zemin to take aggressive actions towards Taiwan. Should top brass get their way, we can expect a more dangerous, dramatic and resolute activities around the island. Contrary to the common wisdom, Xi Jinping's iron grip on the military may be a good thing, provided that the US ceases to incite Taiwan ruling elites' dreams of internationally recognized independence.

Concerning military might, so far Western belief that China is willing to resolve all problems with

brute force, which was fixed after Tiananmen incident, has not proven correct. Critics may argue that China is getting bolder in various sea and land territorial disputes (e.g. India and Japan), but there are two distinct patterns here. All military incidents are strictly small-scale bilateral skirmishes. China has no desire to elevate these conflicts to an international level or even regional level. But more importantly, Beijing prefers to set legal boundaries which are meant to prevent the conflict from occurring in the first place. As a result, instead of much-dreaded tanks, Hong Kong got Security Law. Taiwan has 2015 Anti-Secession Law, Senkaku Islands and South China Sea disputes have their own Whitepapers. For the time being, this legalistic approach to conflict management serves as a security valve for any larger and more serious conflict.

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It's a delicate balance between perceived might, feeling of entitlement, and real capabilities. Yan Xuetong, another leading Chinese IR expert, argues that China is a "junior superpower" incapable of assuming global leadership, even in the digital realm. As a junior superpower, China is likely to adopt a "selective resistant strategy". But retreat does not mean defeat. Yan argues that the pandemic has had a negative effect on China's absolute power, but a favorable effect on China's relative power, "because other countries were hit much harder". If China manages to use this advantage and continues to develop rapidly, threat perceptions on the other side of the Pacific will inevitably rise. So will public nationalistic demand for more actions in China. Still, the driving force behind any possible physical escalation will most likely be digital in nature. Though ideological differences play an important role in the minds of Washington's policymakers, it is the hi-tech competition that is crucial. This could lead to what Yan describes as the state of digital west vs. digital east as opposed to ideology or values based competition.

The other West – EU

Europe will turn out to be a much more difficult partner than originally hoped for. Through investments in ports and cargo terminals, infrastructure projects, bailouts, loans, acquisition and smooth rhetoric based on the principle of non-interference in internal affairs, China has established a firm presence in most of Europe, especially in its Eastern and Southeastern states. Now we're witnessing a swift change of attitudes.

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EU's issues with China mostly differed from American ones - human rights, freedom of speech, market access in China, lack of greenfield investments in Europe, labor rights etc. Brussels loosely adopted Trump's political posture because it saw it as an opportunity and the means to address those issues. EU officials have long felt sidelined by China's 17+1 (previously 16+1) framework, which they saw as an attempt to split Europe and undermine its economic rules and norms. They seized the opportunity to push for the consensus of EU's China policy and place all China-related processes under Brussels' control. It is simply a "take a breath" moment of adjustment and as such does not automatically imply worsening of bilateral relations. Still, Biden euphoria and the prospect of alignment of American and European views on China may launch European sino-scepticism to new heights.

There is not much China can do except try hard to dispel fears and abide by the EU's rules and expectations. Hastily finalized the Comprehensive agreement on investments (CAI) revealed Beijing's anxieties and vulnerable position. The EU is China's second largest single market export destination, which makes it very important. Despite White House and much of the media claiming otherwise, CAI is in fact a solid victory for the EU. Chinese concessions are wide-ranging and promising, and Brussels will likely use the CAI to push China to an even more rule-based transparency and equal playing field. The CAI still needs the approval of EU Council and EU Parliament, so Brussels is finally holding all the levers, and is willing to push China as far as it can with labor and human rights issues.

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In this adjustment phase, China would be wise to scale down its dialogue with separate member states and instead focus on engaging with Brussels. Cooperation on climate change and COVID-19 are currently the safest routes. In any case, one can assume that 17+1 may undergo certain transformations, either by absorption into Belt and Road initiative, or re-formatted in a way that will encompass EU as a whole. It is safe to assume that it could also become a sister initiative to the CAI.

Where does it all lead?

With Joe Biden inaugurated as American president, China has a difficult task of adjusting to the new reality while simultaneously pursuing its two centenary goals: become a moderately wealthy society by 2021 and a strong, democratic, modern socialist country by 2049. For various reasons, Western democracies see these goals as a security issue – harbinger of blitzkrieg on Taiwan and digital socialist oppression. To be sure, Beijing would like a larger role and recognition among the powerful. 2017 amendments to the Constitution of the Communist Party of China changed the traditional line *"This is a historical stage which cannot be skipped in socialist modernization in China which is backward economically and culturally"* to a *"This is a stage of history that cannot be bypassed as China, which used to be economically and culturally lagging"* – a codified rationale for stepping up the game.

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Also, a new set of rules on "counteracting unjustified extra-territorial application" of foreign laws, which allows Chinese authorities to issue orders saying that companies or people in China do not need to comply with foreign restrictions is a bold statement towards the US and its sanctions policy. China is only starting to explore its potential for realistic games, with mixed results. Escalating tariffs with Australia present China as a hegemon and brutal economic heavyweight. Aggressive Wolf warrior diplomacy looked more like a nervous twitch than a meaningful and coherent tactic. But as the first big goal deadline draws nearer one can see how fragile and influenced by circumstances these goals are. American China scholar Michael Swaine points out that all these goals – self-reliance, innovation, cyber-technologies and financial prosperity do not necessarily require China's hegemony. China may achieve them through responsible participation in global and regional economic and political processes, balance of power and mutual re-assurances.

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China will be interested in deepening its cooperation with the UN and international organizations such as WHO or WTO. Developing nations are still China's best asset, even though they could lead to Beijing loosing a substantial amount of money due to defaults and debt reliefs which China will have to provide or restructure if it wants to reap any soft-power benefits, and secure 5G, underwater communication

cables, and infrastructure contracts. As China relations with countries like North Korea, Russia, Venezuela and Iran will become more challenging but also more liberating, some issues like North Korea, Iran or Middle East may open opportunities for meaningful regional security cooperation and dialogue with Washington. Others like Russia and Iran may prove to be trickier. One may assume that Russia will continue its efforts to talk China into deeper security cooperation or a full-fledged alliance. But China will consider every possible side effect such integration might have. If the RCEP and prospective CAI prove to be sustainable, China may consider forging new FTA's or even forging quasi-security alliance with some low-risk actors, or gradually increase the scope of Shanghai Cooperation Organization's activities and responsibilities. In 2011, Henry Kissinger, Niall Ferguson, Fareed Zakaria, and Daokui Li participated in Munk debate on the future of China. Scholars, especially H. Kissinger, proved to be incredibly far-sighted in their forecasts: China will face a difficult world to which it will need to adapt. Both the US and China will have to re-define themselves and draw the lines. These lines, however, must be drawn selectively.

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