The New Cold War: America’s new approach to Sino-American relations

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Abstract
The Trump administration started a New Cold War against China. Instead of a country that can be engaged, China now is America’s primary rival in terms of ideology, geopolitics, and technology. Three factors motivated this shift: the U.S. assessment that China did not converge to the American system, China had become more assertive about its own political model, and China’s increasing ability to challenge American technological supremacy. The Biden administration will probably soften U.S. trade policy, but will continue to see China as an ideological, geopolitical, and technological rival.

Keywords The New Cold War · U.S.–China rivalry · American technological supremacy

1 Introduction

The administration of Donald Trump made a decisive turn in America’s China policy. Its China policy can be best described as the approach of a New Cold War. Like the American–Soviet Cold War, the New Cold War encompasses ideology, geopolitics, and economic relations. On the ideological front, the Trump administration, represented by Secretary of State Mike Pompeo, waged a campaign to demonize the Chinese Communist Party (CCP) and its ideology. Unlike the U.S. administrations of the past 50 years, which believed that China could be won over to the American side, the Trump administration viewed China as an ideological enemy that posed an imminent threat to the American way of life. Ideological confrontation is the most significant element qualifying the Trump administration’s China strategy as a cold war. On the geopolitical front, the Trump administration intensified the American navy’s activities of “freedom of navigation” in the South China Sea and increased its official contacts with Taiwan. These actions tested China’s limits of geopolitical
tolerance. On the economic front, the Trump administration started a trade war with China and forced China to buy more American products. Moreover, it put more than 400 Chinese companies and universities on the entity list and banned them from buying high-tech products from American companies. The administration also waged an international campaign to lobby American allies to exclude Huawei from their 5G markets.

However, there are several differences between the New Cold War and the old Cold War. First, the New Cold War is a one-sided one. While the U.S. treats the CCP as an ideological enemy, China does not reciprocate. The Chinese government holds a critical view about the American government and many of its political practices, but it refrains from denouncing American values. Part of the reason is that most Chinese people embrace those values. Second, apart from its Belt and Road Initiative (BRI), China is on the defensive toward America’s China policies. For example, China has not retaliated against U.S. technological bans even if it does have some tools to do so. Third, unlike the Soviet Union and the U.S. in the old Cold War, China and the U.S. are now deeply connected by trade, investment, and people-to-people exchanges. This greatly increases the complexity of the New Cold War. The Trump administration wanted to simplify the bilateral relationship by decoupling with China on all fronts. But that approach entails tremendous costs on both sides. For this reason, decoupling has progressed slowly. American policy makers have no choice but to navigate through the complexity of U.S.–China economic relations. Fourth, geopolitical rivalry has not evolved into head-on military confrontation between the two countries, nor has it led to any proxy war. But there is no guarantee that military conflicts will never happen between the two countries. The South China Sea, the East China Sea, and the Taiwan Strait are all potential flashpoints.

America’s China policy has not changed overnight. A review of U.S. policy toward China over the last thirty years provides a fuller account of the causes for the American shift. The belief that “China will become more like us if we engage China” used to underpin U.S. policy. But since 2010, this belief began to falter. American elites found that instead of converging to the American system, China had become more assertive about its own political and economic systems. A new view thus formed among American elites that “China has become arrogant.” Finally, China has significantly narrowed its income and technological gaps with the U.S. since the Global Financial Crisis. American elites have realized that “China is challenging American technological supremacy.”

Joseph Biden’s victory in the 2020 presidential election has raised hopes that the U.S. will have a chance to adjust its China policy. If the adjustment happens, China’s refrainment will have certainly helped pave the way for it. However, it is unclear how deep any adjustment will be, even if it does happen. While the Biden administration may soften its stand on trade issues and people-to-people exchanges, it is unlikely that it will change the Trump administration’s stand on ideology and geopolitical and technological competition. Thus, the New Cold War may linger on.
2 America’s path to the New Cold War

The turn in U.S. policy toward China started before the Trump administration. The William Clinton and George W. Bush administrations adopted an engagement policy toward China under the belief that “China will become more like us” if the U.S. brought China into the world system maintained by the U.S. This belief began to falter during the first term of the Barack Obama administration, signified by its “Pivot to Asia” strategy and its effort to build the Trans-Pacific Partnership (TPP). Under the “Pivot to Asia,” the American navy began to conduct “free navigation” in the South China Sea. Obama openly claimed that TPP was a platinum-standard trade agreement among “like-minded countries.” China was not invited to become an original signatory; it was clear that Obama did not regard China as a “like-minded” country. American policy toward China changed from engagement to hedging—getting prepared and waiting to see where China was heading to.

The Trump administration accelerated the turn in America’s China policy. At the end of 2017, it declared China a “strategic competitor” in its first national security strategy report (The White House 2017). In April 2018, it issued a Section 301 report that claimed China’s violations of intellectual property rights and cyber thefts entitled the Department of Commerce to raise tariffs on Chinese exports. The U.S. used the same strategy on other countries in the past. For example, it targeted Japanese companies with Section 301 sanctions in the 1980s. However, that was a “quarrel” between two “like-minded countries.” The Trump administration’s action was different—it was part of a bigger strategy to deal with an ideological and military rival.

The two countries immediately engaged in a tit-for-tat tariff war. Figure 1 below shows the progression of tariff hikes on both sides. Before the trade war started, the
average tariff imposed by the American side was less than half that of the Chinese side. By the time the first-phase agreement was reached in February 2020, the two countries charged virtually the same level of tariffs on exports from the other side. Compared to before the trade war, American tariffs on Chinese exports increased fivefold, and Chinese tariffs on American exports increased by 2.5 times (Brown 2020). Consumers in both countries shoulder most of the costs.

The conclusion of the first-phase trade negotiation did not stop the Trump administration’s pursuit of China. Starting in May 2019, the Bureau of Industry and Security (BIS) of the U.S. Department of Commerce began to put Chinese companies and universities, noticeably China’s tech giant Huawei, on the entity list banning the entities on the list from accessing American supply of hi-tech products and technologies. By the end of 2020, the list designated more than 400 Chinese companies and universities (Kennedy 2021). To the Chinese, this was a U.S. move to decouple with China in hi-tech areas. China’s response was to mobilize national resources to accelerate its technological independence. The country’s 14th Five-year Plan laid out a roadmap to achieve this goal. Realizing that larger U.S. sanctions were possible, the Chinese leadership also decided to accelerate import substitution and build a robust supply chain capable of being self-contained in extreme cases (Xi 2020). Hi-tech firms in the U.S. have opposed Trump’s technological bans because of their market-limiting effects. China may be able to realize technological independence, but it will only be achieved at tremendous costs. The tech war is a lose–lose game for both countries.

American antagonism toward China escalated further during the COVID-19 pandemic. The Trump administration and the American public took a more or less indifferent attitude toward China when the pandemic started in Wuhan in January 2020. Later, when the virus began to spread widely in the U.S. by April 2020, the Trump administration began to wage a campaign to blame China for everything. Trump himself deliberately labeled the virus “the China virus,” prompting the two countries’ diplomats to trade harsh words. While not many American elites took Trump’s words seriously, his China bashing had an enormous effect on the American public’s views about China. According a Pew survey published on March 4, 2021, 67% of Americans felt coldly about China, up from 46% in 2018. In addition, 89% of Americans considered China to be a competitor or enemy (Pew Research Center 2021).

Mike Pompeo’s speech at the Nixon Library in California on July 23, 2020, brought the Trump administration’s antagonism to the highest level. ¹ The speech venue was purposefully chosen—Pompeo intended to overturn America’s China policy since Nixon’s historical visit to China in 1972. He told the American people that the CCP system was illegitimate and posed the biggest threat to liberal democracy. At least since the early 1980s, the U.S. government and most Americans have viewed China as a country that could eventually be won over to the American side. China had a different political system, but eventually it would converge to the American system. But now, according to Pompeo, “America can no longer

¹ Pompeo’s speech online can be viewed at https://www.youtube.com/watch?v=zhY2CH_PyLU. Accessed 6 March 2021.
ignore the fundamental political and ideological differences between our countries, just as the CCP has never ignored them.” Those differences have become the starting point for U.S. rivalry with China. Ideology on both sides drove the American–Soviet Cold War. Today, the Biden administration may not agree with Pompeo’s proposed approach to dealing with China (i.e., to overthrow the CCP), but it affirms American–Chinese ideological differences and is ready to defend American values from China’s authoritarian influence.\(^2\) Ideological differences set the stage for the New Cold War.

3 Causes of the shift in American China policy

It is now a consensus in both the U.S. and China that the U.S. has changed its China policy. However, there is no consensus about why the U.S. has taken this turn. The dominant discourse in the U.S. has revolved around three claims. The first claim concerned China’s ambition to drive the U.S. out of the West Pacific. The U.S. government saw China’s construction on the reefs in the South China Sea as a step toward that goal. The second claim accused China of not abiding by its commitments pledged for its accession to the World Trade Organization (WTO). The third claim assessed that China had conducted cyber thefts of American trade secrets and intellectual property. Chinese views were very different. The dominant view was that the U.S. changed its China policy because China was catching up with the U.S. and the U.S. feared that China would challenge American supremacy. Neither side was candid enough to speak out the entire story. On the U.S. side, much of its anger toward China arose from its regret about taking China into its own system. On the China side, people tended to ignore the changes within China that could have affected American decisions.

The shift in American China policy took about a decade to finish. The causes behind it must be multi-dimensional and complex. In this article, I offer the perspective of a Chinese watcher of the U.S. about its causes. This view does not necessarily represent all viewpoints in China, but rather the view of a Chinese scholar who is seriously observing events happening in the U.S.

3.1 “China did not become more like us”

Starting from the early twentieth century, the U.S. began to develop a rather romantic view about China. It took the lead to use the Boxer indemnity for China’s educational purposes. The general attitude in the U.S. toward China was one of empathy, and American policy was a kind of knighthood to bring China into the modern world. The CCP’s victory in the Chinese Civil War in 1949, therefore, dealt a major

\(^2\) For example, Biden’s pick for CIA director, William Burns, said in his confirmation hearing: “China is a formidable authoritarian adversary, methodically strengthening its capabilities to steal intellectual property, repress its own people, bully its neighbors, expand its global reach, and build influence in American society.” https://www.youtube.com/watch?v=smHNSw9B0M. Accessed 6 March 2021.
blow to American euphoria and prompted fierce debate in the U.S. about who “lost China.” Over the next twenty-odd years, the U.S. did not stop its contact with China despite ideological animosity between the two countries. The threat of a common enemy, the Soviet Union, brought the two countries together again in the 1970s and 1980s. Those twenty years of rapprochement warmed-up American attitudes toward China—once again, China became a country that Americans could influence and convert.

From the 1990s to the 2000s, that attitude became more rational, but also more clear. The three administrations in this period—George H. W. Bush, Clinton, and George W. Bush—all based their China policy on the belief that “China will become more like us if we engage China.” That is, their engagement policy was based on the ultimate goal of inducing China to adopt American economic and political systems. This view, however, began to falter after the Global Financial Crisis (GFC). The crisis severely damaged the American economy, but the Chinese economy fared quite well due to the government’s quick and strong response.

China’s subsequent catch-up with the U.S. can only be described as “staggering”. In 2008, China’s GDP was only 31.2% of U.S. GDP. Ten years later, that number more than doubled. In 2008, there were 35 Chinese companies on the Fortune Global 500 list of the world’s largest companies by revenue, far below the American number. In 2020, China had 124 companies on the list, overtaking the U.S. This rapid catch-up gave Chinese leaders more confidence in their ability to manage the economy. In the meantime, confidence in the Chinese system also increased. “The China Model” became a popular topic in academic discussions and media debates inside China. Internationally, the debate was framed by the contrast between the Beijing Consensus and the Washington Consensus, with the former meaning an authoritarian government plus state capitalism, and the latter meaning a liberal government plus free capitalism (Yao 2011, 26–31). This depiction of China quickly became received wisdom in American political circles and academia. China’s domestic and foreign policy under the new leadership only reinforced this view.

Along with an unprecedented anti-corruption campaign, China’s new leadership also began to change the CCP’s governance model. This new model downplays the importance of economic growth and instead places the purity, cleanliness, and loyalty of the party as the highest priority. To a large extent, this was a correction of the chaotic order in the period under the previous leadership of Hu Jintao (Xi et al. 2018). However, America’s China watchers took it as a sign that the CCP was taking China in a different direction. Internationally, China’s BRI also presented a very different China to American policy makers. For the first time in Sino-American relations, China set the agenda and the U.S. had to respond. To many American elites, China was using its economic prowess to export its authoritarian model to the rest of the world. China’s influence was not confined to the developing world; it also extended to Europe when China played an important role in some European countries’ recovery from the GFC.

By the time the Trump administration was sworn in, a consensus emerged in American policy circles that U.S. policy toward China had failed to make China “more like us” (Campbell and Ratner 2018). While some cool heads believed that America’s China policy was never designed to change China, most American policy
makers took that as a fact and saw China’s rise as a major ideological challenge to the American idea of liberal democracy. These events ultimately led to Pompeo’s New Cold War speech. Although not many Americans would echo Pompeo’s call to treat China as an ideological enemy, more of them believed that the U.S. should reduce its economic ties with China because those ties would directly or indirectly support China’s political system of which Americans do not approve.

3.2 “China has become arrogant”

Starting in 2010 when the Obama administration started its “Pivot to Asia,” some Americans began to feel that “China is too arrogant.” By that time, China had ignored the West’s warnings and began putting permanent structures on several reefs in the South China Sea over which the country claims sovereignty. The West also believed that China spoiled the Copenhagen Climate Conference. However, China’s “arrogance” only increased afterwards. Not only did it accelerate construction on the reefs in the South China Sea, it also began to show that it was determined to follow its own road to prosperity and sound state governance and was ready to present a more assertive image on the international stage.

Upon his inauguration in 2013, President Xi Jinping put forward his vision of the China Dream. The central piece of the China Dream is national rejuvenation—to build a strong China today that matches its ancient achievements as one of the most glorious civilizations in human history. This is a dream that several generations of Chinese leaders have shared, starting from Sun Yat-Sen to Deng Xiaoping. But for Americans, the China Dream was a competitor of the American Dream. It was a sign that China would challenge American supremacy. Michael Pillsbury’s best selling book, The Hundred Year Marathon, provides the best account of such American anxiety (Pillsbury 2016). Pillsbury’s central thesis is that China had a grand strategy to deceive the U.S. from the very start when it decided to normalize bilateral relations in the early 1970s. The ultimate goal of this strategy was to replace the U.S. as the global superpower. China hid that goal when it dealt with the U.S. and tried to gain everything from its relations with the U.S. On the American side, most American policy makers at various times, including Pillsbury himself, did not realize—or were not willing to accept—that China had a hidden strategy. The evidence Pillsbury provided was anecdotal at best. Yet the book was published at the right time and helped frame the shift in U.S. policy toward China. China was no longer an American follower ready to be changed, but rather a long-term strategic competitor of the U.S.

Within China, economic success transformed into political and cultural confidence. This was best reflected in the “Four Confidences” that Xi proposed to guide the party—confidence in China’s unique road, confidence in Chinese theories, confidence in China’s political system, and confidence in Chinese culture. Since the end of the nineteenth century, China has looked up to more advanced countries to search for ways to modernize. The CCP itself first copied the Soviet system and then, when reform and opening started at the end of the 1970s, began to learn from advanced capitalist countries. This was part of the reason why the American administrations
in the 1990s and 2000s believed that China would become more like the U.S. Now the “Four Confidences” tell the world and the Chinese people that China is no longer a pupil of other countries. On the surface, this is a sharp break in the CCP’s view about the world and China. But at a more fundamental level, the “Four Confidences” reflects the CCP’s turn back to Chinese traditions started by Deng Xiaoping at the end of the 1970s. China’s economic success is often attributed to reform and opening. A deeper question, however, is what drove reform and opening. One has to turn to the CCP to find an answer. Under Deng’s leadership, the CCP gave up orthodox Marxist doctrines and turned to Chinese traditions for political and organizational resources. At a philosophical level, the pragmatism became the party’s guideline for action; at the organizational level, the political meritocracy was adopted to select government officials. Both are part of the Confucian tradition and played critical roles in China’s 40 years of reform and opening (Yao and Qin 2021). The “Four Confidences” are built on such confidence in the Chinese tradition.

In the U.S., however, many have interpreted Chinese confidence as a sign of China’s arrogance. It has reinforced the view that China is determined to take a different road than the American one. For most Americans, the American way of life—liberal democracy and free markets—is the only decent way of living for everyone. It is almost Americans’ instinct to disdain China’s political system. Since bringing China into the American world order helped China’s growth, which in turn boosted China’s confidence, many Americans reached the conclusion that the U.S. should decouple with China as much as possible.

3.3 “China is challenging American technological supremacy”

In 2004, Paul Samuelson, one of the most prominent economists of the twentieth century, published his last academic paper (Samuelson 2004, 135–146). It was about the impact of China’s technological upgrading on the American economy. Citing David Ricardo’s framework of comparative advantage, Samuelson told his readers that China’s technological upgrading will hurt Americans if it leads to Chinese companies replacing American companies to produce goods in which the U.S. enjoys comparative advantage. In a globalized world, this is almost sure to happen. For most of the last 30 years, China’s labor productivity increased faster than wage rates in its manufacturing sector; whereas, the opposite happened in the U.S. It was thus natural for China to gain comparative advantage relative to the U.S., and for China to produce more of the products that the U.S. used to produce. However, not many economists took Samuelson’s warnings seriously in 2004 because at the time, most people in both China and the U.S. believed the future was remote in which Chinese technology would pose any serious challenge to America’s technological supremacy.

The rise of China’s internet giants and global technological leaders in the last decade set off an alarm for Americans. Suddenly, Americans found that Chinese companies could compete head-on with American companies. In some areas, notably, telecommunications, artificial intelligence (AI), and drones, Chinese companies even took the leading positions. China’s technological upgrading now poses two major challenges to the US.
The first major challenge is to the American manufacturing industry. American policy makers have long ago reached the consensus that the U.S. should bring manufacturing jobs back to the country. The first Obama administration, for example, put forward the slogan: “Bringing manufacturing back to America.” The Trump administration simply took this issue over from the Obama administration. However, realizing this slogan is easier said than done, because America is losing comparative advantage to China in the manufacturing sector. This is a complex, but probably rather unavoidable result. On the American side, two factors mitigate against the return of manufacturing jobs. One is that people have grown accustomed to higher-wage jobs and the lifestyles that come with them, reducing the competitiveness of American manufacturing. The other factor hides in America’s super-efficient and ever-growing financial sector. Built on numerous forms of derivatives, the size of American financial assets has reached an astronomic number. This trend forces the financial sector to chase high-return industries, thereby explaining the coexistence of cutting-edge innovation and the hollowing out of manufacturing in the U.S. China is almost on the flip side of the U.S. Chinese people are still working hard to earn meager salaries and China’s financial sector is still being tightly regulated. American hawks, however, chose to ignore the economic fundamentals in both countries, and instead blamed China for the loss of U.S. manufacturing jobs.

The second challenge lies in America’s geopolitical competition with China. The fundamental forces supporting a country’s geopolitical position are its military might. In today’s world, technology almost solely determines military strength. China’s military upgrading in the last twenty years can only be described by “astonishing.” China’s fast technological upgrading has underpinned this development, particularly its advancements in the telecommunication sector. This was why American sanctions targeted China’s leading telecommunications companies, notably Huawei and ZTE.

China has not reached the stage of posing an all-around challenge to American technological supremacy. But China has large catch-up potential because of its high savings, large number of university graduates, and fast accumulation of research capacity. The Trump administration’s technological sanctions have had only limited impact on China’s economy. Growing by 2.3% in 2020, China’s economy was the only major economy that maintained positive growth during the pandemic. If anything, American technological bans only triggered Beijing to speed up the autonomous development of advanced technologies.

4 The future of America’s New Cold War with China

Biden’s inauguration has raised hopes that U.S.–China relations will improve. The Biden administration will likely be much more rational than the Trump administration. As a result, its China policy will absorb the results of domestic debates. Very likely, it will give up those among Trump’s policies that hurt China little, but hurt the U.S. much. It will also resume a multilateral American approach to world affairs, including its relations with China. On the other hand, the Biden administration will retain the basic ideas behind the U.S. shift in policy toward China because they have
become a consensus among American elites. For that reason, the Biden administration will continue some of the Trump administration’s harsh measures toward China. In addition, it will put more weight on China’s human rights issues, an area that the Democratic Party has long cared about. America’s New Cold War with China will be moderated but unlikely to completely disappear.

4.1 Ideology

The Biden administration will be unlikely to continue Trump hawks’ fanatic view of treating the CCP as a Marxist–Leninist ideological enemy, because most American elites understand that the CCP does not still hold on to orthodox Marxist–Leninist ideology. But this does not mean that the Biden administration will agree with China’s political system. A decade since the Obama administration began to change America’s China policy, it has become a mainstream view in the U.S. that China’s political system is repressive and outdated. To American elites, China’s economic success is luring leaders in other developing countries to follow the Chinese model, and that poses a threat to the ideas of liberal democracy. The Biden administration will not likely deviate from that view. Indeed, its members have frequently expressed strong views about Hong Kong and Xinjiang both before and after Biden’s inauguration.

On the China side, there is no sign that the CCP will undergo substantial changes. The American government’s performance during the pandemic and its political disarray after the 2020 election have only reinforced the CCP’s confidence in China’s political system. As for Hong Kong and Xinjiang, large disparities exist between the American view and the Chinese view. For Americans, these issues are all about human rights and religious freedom; for Chinese, it is China’s sovereignty that is at stake.

There is no hope that the U.S. and China will be able to close their ideological gaps in the foreseeable future. The best outcome for China is peaceful competition confined to the realm of ideology. But that is not a guaranteed outcome, because for many Americans, China’s political system itself is a sufficient reason for the U.S. not to deal with China. This will become a major obstacle for the Biden administration’s ability to revoke some of Trump’s China policies, such as high tariffs, that also hurt the U.S. Biden’s opponents will read any such move as kowtowing to China.

However, the American view about the Chinese political system is wrongly placed. Instead of inheriting the Marxist–Leninist state, the current CCP system more closely follows the Confucian state—a governing model based on Confucianism (Yao 2021; Yao and Qin 2021). Unlike liberal democracy that lays its philosophical foundation on self-interested human beings, the Confucian state is built on the more realistic premise that human nature is multi-faceted, fluid, and can be molded by personal effort and the environment. Society and its political arrangements should encourage people to become their better selves. Depending on their own efforts and their environment, people will end up with different levels of achievement. Only those with higher levels of achievement can become government officials, and higher levels of government need higher levels of achievement. Political
meritocracy thus becomes the center of the Confucian state. Government officials are selected on the basis of merit, not by popular vote. The CCP is not a western-style party, but a central agency staffed by people with high levels of personal achievement. It holds the constitutional task of making decisions for the country. However, its power is constrained by the sovereign body of the People’s Congress. Unlike the legislative body in a democracy, the sovereign body in the Confucian state does not make proactive decisions, but rather approves or disapproves of the central agency’s decisions.

Is the Confucian state a just polity that protects personal freedom, open access to public office, and good governance? In theory, there is no reason why it cannot be. In addition, it supplements democracy through its emphasis on merit. In reality, the performance of the Confucian state becomes an empirical question. The performance of democracy varies tremendously in the world; one therefore should expect that in practice the performance of the Confucian state could also be as diverse. Its performance in China is relatively good, particularly in the areas of selecting competent government officials and promoting economic growth. Competition between the two governing models, if it is not aiming at eliminating each other, will allow each model to retain its own strengths and absorb better practices from the other model.

4.2 Geopolitical and technological competition

The area of geopolitical and technological competition will be least changed. China is speeding up its naval and air force buildup. There is no sign that China will give up its military presence in the South China Sea. On the other hand, the U.S. will not give up its rights of “freedom of navigation” in the same region. In the meantime, neither country will reduce its efforts to influence other countries in Asia. Geopolitical competition is destiny for the U.S., the existing power, and for China, the emerging power. Accordingly, technological competition between the two countries will only intensify, because it will ultimately determine which side wins the geopolitical competition.

However, this does not mean that orderly and rule-based competition cannot emerge in the area of technology. The technological bans that the Trump administration imposed are as detrimental to American innovation as they are to Chinese innovation. Innovation needs markets to digest its costs. China is the largest market for American hi-tech products; cutting off American companies from that market will limit their global expansion and ultimately slow down their innovation. Media Tek replaced Qualcomm as the second largest global chip maker in 2020, mostly because Media Tek took over Qualcomm’s market share in mainland China. The Biden administration will likely take a more rational approach to America’s technological competition with China. While export of American technology is still likely to be restricted, supply bans on hi-tech products are likely to be reduced. At minimum, it will become easier for American companies to apply for exemption. The Biden administration may also start negotiations with China on rules of competition,
particularly those addressing America’s alleged concerns of intellectual property rights violations and cyber theft.

Many Chinese worry that Biden will build multinational coalitions to contain China. This worry is unwarranted, for two reasons. One is that Europe is unlikely to join the U.S. to contain China. The European Union just signed the EU–China Bilateral Investment Treaty. The other is that China is ready to participate in international debates—such as those happening in the World Trade Organization—about new rules for global trade and investment. Many of the debated issues do not just concern China, but also involve other developing countries. Rule-based global trade and investment regimes are in China’s interest. Therefore, there is no basis for any anti-China coalition on the international stage.

4.3 Economic relations

During the pandemic, China’s exports to the U.S. increased dramatically and regained the ground lost to the trade war. American investment into China also increased, although Chinese investment into the U.S. remained low due to restrictions imposed by the U.S. government. Decoupling has been one-sided. U.S.–China economic ties are built on the fundamental complementarities between the two economies; Trump’s trade war cannot easily break them. There are structural issues that the two countries have to resolve, but not by irrational tariffs. Instead, the two countries should come together and negotiate. Both sides should stop beggar-thy-neighbor policies. China should give up subsidies to Chinese companies’ cross-border activities such as exports and mergers and acquisitions, and the U.S. should give up supply bans of hi-tech products. Regarding domestic policies, including industrial and innovation policies, the two countries should negotiate because these policies have spillover effects on the other country. If an agreement cannot be negotiated, the negatively affected country is entitled to take protective measures (The U.S.–China Trade Policy Working Group 2019).

Biden has already expressed his disapproval of Trump’s tariffs because he believed they hurt ordinary Americans. Secretary of State Antony Blinken and Secretary of Commerce Gina Raimondo, in their Senate confirmation hearings, both expressed reservations about Trump’s trade and technological policies toward China, despite their tough stance toward China as a whole (Yu 2021; Whalen 2021). There is a possibility that the Biden administration will separate most of the U.S.–China trade relations from the two countries’ political relations. While it will take a tougher stance on the political side and may use economic tools to reinforce that stance, the Biden administration will also be likely to adopt a more pragmatic approach to tackling the economic issues the two countries face. It is also possible that the two countries will come together to cooperate in a few areas. One apparent such area is climate change. China has announced an ambitious plan to peak the country’s carbon emissions by 2030 and reach net zero by 2060. Biden has brought the U.S. back into the Paris Accord. These actions have laid a foundation for the two countries to cooperate.
5 Conclusion

First and foremost, the shift in U.S. policy toward China is rooted in the American realization that China has not become more like the U.S. Instead of being molded by the American model, China is becoming a serious ideological challenge to the liberal ideas that Americans believe are essential for human life. The U.S. turn also derives from its fear that China may soon win the geopolitical competition between the two countries in the Pacific region. Out of that fear, it has begun to try to retard China’s technological progress.

However, America’s view about China’s ideological challenge is wrongly placed. The CCP system is not a Marxist–Leninist state like those the West has been acquainted with. Instead, it has inherited key elements of the Confucian state, which indeed presents a different governing model than that of liberal democracy, but which nevertheless reflect human values that are essential for good governance. The U.S. should see the Confucian state as a complement to liberal democracy and, with the ultimate goal of absorbing positive elements from the other side, allow the two systems to compete freely with each other.

Geopolitical competition between the U.S. and China will not be easily resolved. Together with that competition, the two countries will engage in a long-term technological competition. The Trump administration’s strategy hurt American hi-tech companies as much as it hurt their Chinese counterparts. But there is no sign that the Biden administration will soon abandon Trump’s technological policies. On trade and other economic issues, the two governments will be more likely to find ways to soften their tensions. But to fully normalize bilateral relations, the two countries have to agree on a set of new rules that can account for both sides’ concerns. For Americans, setting up new rules should not become a business to find fault with China; rather, it is a process to give the U.S. room to readjust its economic structure. On the other hand, instead of treating the American call for rule-based trade and technological relations as U.S. coercion toward China, China should treat it as an opportunity to participate in the rule-making process.

Compliance with ethical standards

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