US-China Crossroads Ahead: Perils and Opportunities for Biden

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No amount of sugarcoating can downplay the current depth and scope of stress in Sino-US relations. Clashes routinely run the gamut between Beijing’s handling of Xinjiang, Hong Kong, and Taiwan; its industrial policies and trade practices; and its relations with third countries such as Iran. Unfortunately for the People’s Republic of China (PRC), the drastic downturn of its relations with the United States has also coincided with the ongoing spats with a bevy of countries, not least the first flashes of violence in decades on the border with India. Coupled with the fallout from the COVID-19 fiasco, China is facing arguably its worst geostrategic and diplomatic environment since the 1970s.

Feeling cornered, a cadre of senior Chinese officials over the summer made plain their desire to defuse the tensions with the United States. Wang Yi, the Foreign Minister, went so far as to itemize areas where the two sides could cooperate, compromise, or agree to disagree.¹ Not only did his call fall on deaf ears, Trump administration officials doubled down on their concerted effort to exert maximum pressure on China. William Barr, the US Attorney General, disdainfully mocked Beijing’s offers of dialogue to pursue a win-win relationship, a platitudinous line Chinese officials are prone to use, as meaning that “China wins twice.”²

Ironically, despite Donald Trump’s fiercely anti-China policies and rhetoric, a great many Chinese analysts preferred him to Joe Biden in the November 2020
election, and even more people expected him to win. By and large, the somewhat perverse logic for their preference was rooted in the zero-sum calculation succinctly articulated by Yan Xuetong at Tsinghua University: “Not because Trump will do less damage to China’s interests than Biden, but because he definitely will damage the US more than Biden.”

Now that the election is over, Beijing has no choice but to deal with the Biden administration. Challenges will abound, more so because the government of Xi Jinping remains fully committed to the thrust of its existing policy framework, though the erstwhile underpinnings of the relationship are no longer working. Nor will it be easy to shake off the toxicity of the Trump years. This article is not intended as an action plan for either Beijing or Washington. Instead, by taking stock of the profound shifts in China itself and the Sino-US relations in the Trump years, it aims to shed some light on the behavioral logic for China’s foreign and security policies vis-à-vis the United States and highlight the risks and opportunities ahead.

The remainder of this paper proceeds as follows. In the first section, I will delve into domestic political terrain in China, where the confluence of mass anxiety fueled by social and economic changes and international backlash against it, ever more ferocious after the COVID-19 outbreak, has only exacerbated the acute sense of insecurity for both the party-state and its people. That siege mentality, in turn, has lent itself to the populist and nationalist fervor—in the broader society as well as the Chinese officialdom—that invariably found the United States a favorite target. The second section crystalizes the paradigmatic shift of the US-China relations under Trump before zeroing in on the two thorniest issues, namely Taiwan and the tech war, that will by all means continue to hobble the relationship in the years to come. Besides offering a preview of how Beijing approaches the Biden administration, the third section also forewarns some of the pitfalls that the latter should steer clear of. The paper ends with a brief and preliminary forecast of what 2022 might look like for the relationship.

Post-COVID China: Triumphant, Defiant, and More Insecure

For all the roller-coaster rides in 2020, China ended the year on a high note. Yet, anxiety is gripping its society, and the worsening external environment has only aggravated it. The party-state has dealt with its own fears about regime security by
more aggressively pushing back against internal and external critics. The country now is bracing for ever tighter political control and external pressure.

**The Comeback of the Party-State**

The year 2020 was supposed to be just another year in China’s inexorable ascent. The coronavirus outbreak, however, turned the country—and the entire globe—upside down and exposed the party-state to its worst crisis in decades. In the wake of Wuhan’s lockdown, a steady stream of revelations exposing local officials’ deliberate cover-ups and manifesting incompetence, all eerily similar to the SARS case in 2003, infuriated millions of netizens whose memory of the man-made disaster 18 years ago was still fresh. Understandably, impassioned debates over the government’s culpability with COVID-19 set Chinese cyberspace ablaze, often pitting family members and friends against each other. In combating the invisible enemy, Beijing brought all levers of state power to bear and resorted to such extraordinary measures as national mobilization of resources and medical personnel, mass testing for cluster infections, restricting and tracking people’s movement, and effectively blocking the return of millions of Chinese citizens from overseas.

While the situation was brought under control in due course, the coronavirus spread across continents like wildfire and embroiled China in a slew of controversies over its lack of transparency, its failure to contain the pathogen within its borders, and the poor quality of some Chinese-made medical supplies. No relationship was more damaged than the one with the United States as President Trump, in his attempt to deflect attention from surging domestic death tolls, reflexively denounced China for letting the viral genie out of the bottle. Beijing’s response was as unapologetic as its pushback was ferocious. On that front, a new cohort of diplomats, taking the moniker of “wolf warriors” as a badge of honor, led the charge. In one memorable instance, Zhao Lijian, a foreign ministry spokesperson, upped the ante by openly accusing American military personnel of bringing the coronavirus to Wuhan.6

In late May, the National People’s Congress, China’s legislature, imposed a national security law on Hong Kong, shocking even the pro-Beijing politicians in the city that had been practicing self-rule since 1997. In the meantime, enhanced persecution of Muslims in Xinjiang continued to attract scrutiny and condemnation that led the Trump administration to determine it a “genocide” in its final hours in power.7 Brushing off US sanctions against Chinese individuals and entities, Beijing retaliated with sanctions of its own on select US individuals, including unspecified “corresponding” measures announced in July and August 2020 targeting prominent lawmakers such as Senators Marco Rubio and Ted Cruz as well as sanctions on a slate of Trump alumni aimed at scuttling their
China’s international image reached a nadir around much of the world in 2020. Attempts to secure lucrative private sector jobs. To make matters worse, standoffs also left China’s relations with such countries as Australia, Canada, Sweden, and the United Kingdom in tatters. Taken together, it came as no surprise that China’s international image reached a nadir around much of the world.

The consolation for Chinese leaders, paradoxically, is that with a total number of confirmed cases just above 100,000 and total casualties of 4,800 as of early February 2021, the regime managed to expediently win back the hearts and minds of the people whose lives and livelihoods were imperiled by the pandemic. The Chinese masses, taking great pride in the speed with which their country was able to rein in the pandemic against the juxtaposition of greater misery in the West, were immensely riled up by the onslaught of foreign condemnation. In no time, the fierce populist backlash against critics at home and abroad galvanized public opinion into rallying behind the party-state. No example better illustrated the dramatic turnaround in public sentiment than the saga involving the Wuhan-based novelist Fang Fang, whose chronicle of her experience under lockdown became a daily must-read. After news broke in early April that her diaries were turning into a book to be published overseas, social media turned against her as indignant netizens accused her of making China look bad in front of foreigners.

Behind the Economic Curtain: The End of Euphoria

Life in China has for the most part returned to a sense of normalcy since early summer 2020. Back then, the government abandoned a GDP growth target for the first time in years and pivoted to the “internal circulation” of production, distribution, and consumption with the assistance of external circulation—hence the “dual circulation” strategy. Fortunately, private consumption, boosted by robust online shopping, recovered rapidly and is on track to become the biggest driver of economic growth. The export machine also came roaring back to life, turbocharged by surging international demand for medical equipment and electronics products. The Chinese economy clocked a 2.3 percent growth rate in 2020, making it the only major economy with positive growth in the year and once again the envy of the world. In addition, the goal of eradicating absolute poverty, Xi’s signature domestic initiative, was proclaimed as fulfilled at year’s end.

However, those otherwise stellar numbers elide the full scale of social and economic challenges afoot. For all the remarkable progress made over the
years, numerous people have been left behind. At a press conference in May, Premier Li Keqiang shocked the country with his assertion—corroborated by official statistics—that 600 million people (more than 40 percent of the total population) had an average monthly income of less than 1,000 yuan (about US $150). As is the case elsewhere, the pandemic had a more severe impact on lower-income groups, whereas those in white-collar jobs disproportionately benefited from the rapid recovery. Beijing’s stimulus package, worth over 4 trillion RMB (US$500 billion) and rolled out belatedly in late May, was heavy on infrastructure spending and tax cuts but eschewed the job-retention programs and direct cash payments that governments in Europe and the United States embraced.

Also bearing the brunt of the economic disruptions are the millions of fresh college graduates. To cushion the blow, authorities expanded the pool of graduate program admissions. The market value of those advanced degrees has plummeted precipitously, though. Reports of China’s best and brightest, armed with doctorates from prestigious universities, steering clear of the lofty ivory towers of universities and research institutions and content with jobs beneath them by conventional standards (such as in elementary schools and neighborhood committees in top-tier cities) are increasingly being met with a shrug. Meanwhile, millions of frazzled young jobseekers, who already face skyrocketing real estate prices and various financial scams, swarm to sit for civil service exams, making the competition ever more cutthroat by the year. Even those in high-flying IT companies, inhabitants of the grueling “996 culture” (or working 9 a.m.–9 p.m. 6 days a week), have to struggle with blatant age discrimination and diminishing job security. As if that were not enough, a national campaign initiated at Xi’s direction against food waste fed into the unease and chatter on social media over a possible food crisis, which the government duly denied even as it insisted that the country must be on alert for it.

Against the broader tableau of trials and tribulations, the populace is coming to the growing realization that the four-decades-long post-reform golden era—epitomized by explosive growth, education-propelled upward social mobility, and a generally stable and friendly international environment—has already run its course. In its wake is a new normal characterized by heightened international tensions, economic deceleration, unaffordable childcare and living costs, falling birth rates, and a fast-aging population. Inevitably, fraying euphoria has further compounded the perennially concomitant blending of negativity and positivity in society that underpins
China’s national aesthetic and informs its foreign policy, rendering it more insecure and quick to take offense in its international dealings.

The ramifications are at least two-fold. On one hand, the percolating social anxiety, ripe for agitation, is providing fertile soil for populism and cyber-nationalism, which had been rising well before the pandemic, particularly among youth. The Fang Fang affair was but a cautionary tale. Anti-Americanism, too, can be a natural outgrowth of domestic contestation. Amid the bitter contention over the coronavirus, for example, Major General Wang Haiyun, a former military attaché in the Chinese embassy in Moscow, demanded that so-called pro-American elements in China be penalized one way or another.

On the other hand, the government, facing an avalanche of opprobrium from abroad but “preoccupied by its own enormous domestic agenda,” has added reason to please the crowd by lashing out at foreigners. In that regard, the “wolf warriors,” brushing aside exhortations from their elders that their gambit is counterproductive, have no regrets. Asked to comment on the phenomenon, without fail they argued it was a false narrative derived from the “China threat thesis” while also claiming self-defense.

The Extended Season of Political Vigilance

Fang Fang was wise enough to refrain from assailing the party itself. Ren Zhiqiang, a former senior executive with a state-owned real estate company who castigated Xi Jinping over the pandemic, was swiftly arrested, however, and sentenced to 18 years on charges of embezzlement. Cai Xia, a professor recently retired from the Central Party School and on a sojourn in the United States, was stripped of her party membership and lost her pension after her criticism of Xi’s power grab surfaced online.

These incidents all played out as the political backsliding exhibited no sign of slowing down. Officials caught badmouthing the “party center” or reading publications with “severe political problems” have been subjected to disciplinary and legal actions. Students denouncing professors to their political handlers have become a fact of college life. Whereas the intellectual discourse has exhibited deep fissures of late, public figures have long since learned to keep their mouths shut—not that there is much to debate. Save for Beijing’s denunciations of foreign accusations of human rights violations in Xinjiang, there is precious little about what is really going on there in the public domain. Concerning Hong Kong, the knee-jerk reaction of mainlanders is one of contempt and loathing toward those activists for causing disturbances as well as for the temerity of bringing up independence as an option. Even the top legal minds in the throes of a resurgent statist ethos have gone out of their way to justify Beijing’s crackdown along the lines of Hong Kong’s “second return” subsequent to the city’s
reversion to Chinese sovereignty in 1997 after more than a century of British colonial rule.29

Unwittingly, China has already entered a fresh cycle of “political sensitivity”—as if the current situation is not sensitive enough. Coming up soon on the calendar are the centennial of the Communist Party’s founding (July 2021); the Beijing Winter Olympics (February 2022); and most important of all, the party’s 20th Congress (October 2022), when Xi is widely expected to secure a third term as General Secretary. In the run-up to those major events, officials, long steeped in the stability-first mentality, are on high alert to squash signs of defiance lest anything go awry. Coming in handy for them is the state’s superb surveillance and censorship capabilities, which just received an upgrade thanks to the accelerated and expanded adoption of state-of-the-art technologies such as facial recognition.

Problems Ahead: Beware Taiwan and Technology

Managing US-China relations presents a perennial challenge for whomever is in power, in both the United States and China. Among the plethora of issues and disputes confronting the Chinese leadership vis-à-vis the United States, none is more visceral to China’s sense of itself than the looming crisis over Taiwan, and none is more critical to cementing China’s status as a superpower than the ability to withstand the US technological embargo that extends far beyond Huawei.

After the Demise of the Engagement Paradigm

Since US President Richard Nixon’s opening to China, successive US administrations had by and large abided by a strategic approach that was, according to a Trump administration document, “largely premised on a hope that deepening engagement would spur fundamental economic and political opening in the PRC and lead to its emergence as a constructive and responsible global stakeholder, with a more open society.”30 While scholars quibble over whether those earlier projections were misconstrued or oversold, there is no denying that the approach has lost its popularity in the policy sphere.31 The antipathy toward Beijing is so intense and pervasive that it might be a rare, if not the only, instance of bipartisan consensus in the otherwise irreconcilably polarized United States.32

By many accounts, the decidedly adversarial turn of American China policy blindsided political and intellectual elites in Beijing. These individuals, keenly aware of the formidable threat the United States poses to China as much as the necessity of stabilizing the relationship, hewed to the two-pronged strategy of “dou er bu po,” or “struggle while competing.”33 Four years ago, most Chinese analysts celebrated Donald Trump’s improbable victory as a blessing in disguise. Beijing endeavored to accommodate Trump’s demands by offering
to buy more American goods and greenlighting more sanctions against North Korea. After Trump fired the opening salvo of the trade war, the relationship went into a free fall. The phase-one trade agreement, signed in January 2020, offered a sliver of hope, but that was promptly dampened by the trading of insults, punches, and counterpunches following the COVID-19 outbreak.

Disputes have long been an enduring feature of the Sino-US relationship. Yet this new, rudderless phase stands out for several reasons. First, tensions have spilled over far and wide to affect the strategic choices of a great many other countries. The arrest in Vancouver at American behest of Meng Wanzhou, Huawei’s chief financial officer and daughter of its founder, landed Canada straight into Beijing’s crosshairs and led to the arrests of two Canadian nationals, Michael Kovrig and Michael Spavor, despite Chinese officials’ denial of a link between the cases.

Second, there was a distinctly ideological tenor to Trump’s anti-China pitch, as then-administration officials launched relentless and frontal assaults on the Communist Party and its leaders, thus aggravating Beijing’s concern for regime security. In his speech at the Nixon library in July, for example, then-Secretary of State Mike Pompeo declared that “General Secretary Xi Jinping is a true believer in a bankrupt totalitarian ideology … that informs his decades-long desire for global hegemony of Chinese communism.”

Finally, and most importantly, the sources of bilateral tensions appear as infinite as the tactics are ferocious. Evictions of journalists and sanctions on individuals and entities were familiar methods, but Trump administration officials were clearly hell-bent on making good on the pledge to take on China at every turn. The forced closure of the Chinese consulate in Houston, to which Beijing retaliated by shutting down the American consulate in Chengdu, and the tightened visa rules on Chinese Communist Party members were so draconian and unexpected that one could be excused for asking if the United States had effectively declared China to be an enemy state. In the back and forth, two issues of fundamental import—Taiwan and the pursuit of technological independence—have thrust Chinese leaders into a position in which backing down is no longer an option.

Taiwan and technological independence are of fundamental import to Chinese leaders

Dire Straits, More Than Ever
To the Chinese mind, no question is more integral and visceral to Chinese nationalism than national unification. For this very reason, generations of
leaders from Mao to Xi have never tired of emphasizing Taiwan as the “core problem” in Sino-US relations. A January 2019 speech by Xi insisting that the “One Country, Two Systems” formula, of which the implementation in Hong Kong since 1997 was meant to provide a blueprint for Taiwan, was the only way forward for cross-Strait peace and stability, and the flare-up of street protests that began in the spring in Hong Kong only convulsed public opinion in Taiwan against Beijing. That, in turn, propelled Tsai Ing-wen, whose ruling Democratic Progressive Party (DPP) had lost badly in 2018 local elections, to a second term with a landslide January 2020 victory against the pro-unification Kuomintang (KMT) candidate. Buttressed by public support, Tsai has steadfastly refused to accept the “1992 Consensus,” in which the two sides paid homage to the notion of “one China” and eventual unification, that Beijing has laid as the precondition for normal cross-Strait relations. In the interim, the old economic playbook also appears to have run out of steam as Taiwan’s investment in the mainland has seen a sharp drop-off since 2015. With the friendly KMT in disarray, Beijing is now left with few cards to play and is more determined to take the matter into its own hands.

The deterioration of Sino-US relations entangled Taiwan ever deeper into the geopolitical maelstrom. In that process, hawks in the Trump administration, besides profusely expressing their democratic affinity with Taiwan, have seized on it as a bulwark in their China strategy. For that purpose, Alex M. Azar II, the US Secretary of Health and Human Services, visited Taiwan in August 2020. Moreover, not only did enhanced US sanctions force TSMC, the Taiwan-based leading manufacturer of made-to-order chips, drop Huawei as a client, US officials were reported to have exhorted businesses in Taiwan to cut China out of the global tech supply chain. Most disconcerting to Beijing, though, was the steadily intensifying US military involvement in Taiwan. Unusually included in the batches of proposed sales announced in fall 2020 were some weapons systems of a distinctly offensive nature, air-to-ground missiles included. US-Taiwan personnel exchanges and collaborative activities have also been on the rise. Barely a year after confirming the presence of active servicemen in Taiwan since 2005, the United States officially began to send special operations trainers there. In another first move, a US spy plane flew over Taiwan in October. Considering the deliberate manner in which those disclosures were made by US and Taiwan authorities, it stands to reason that defense cooperation between the two sides is more than meets the eye.

Back in 2017, an establishment scholar in Beijing claimed that the enactment of the Taiwan Travel Act merited Beijing severing formal ties with Washington. The bill became law soon after, and although Beijing maintained ties, the episode casts a spotlight on how far the United States has slid down the
slippery slope against Beijing's red lines. The ensuing Chinese fear is not only of permanent separation across the Strait but also of Taiwan becoming a US strategic linchpin and military outpost in the unfolding US geostrategic ploy to contain China. The 2020 sales of offensive weapons, for instance, caused so much heartburn that an editorial of the Global Times warned that “the People’s Liberation Army would destroy the US offensive weapons Taiwan newly deploys.”

Only time can tell whether it will come to that. At present, while Beijing does not have much leverage to retaliate against the United States—the sanctions in October of several US defense companies were widely perceived as a slap on the wrist—it has been exerting more pressure on Taiwan itself. As part of the political and psychological warfare, state media in October aired some confessions by alleged Taiwanese spies; in accordance with the 2006 Anti-Secession Law that gave legal cover for the use of coercive force to crush Taiwan’s independence, a blacklist was reportedly compiled that included the most prominent DPP leaders so as to hold them “accountable for life.” On the military front, the People’s Liberation Army (PLA) has routinely conducted war games featuring the dispatch of aircraft carriers and test-firing of ballistic missiles. While reinforcing its “gray zone” warfare that included sending aircrafts into Taiwan’s air defense identification zone, Beijing has unequivocally rejected as “non-existent” the median line on Taiwan. If circumstances further deteriorate, it may be just a matter of time before the PLA enters Taiwan’s territorial waters and airspace, as Hu Xijin, editor-in-chief of the Global Times, has called for. Tensions have been rising to such a degree that some analysts have characterized the situation as a state of quasi-war.

Not surprisingly, most Americans put the blame squarely on Beijing, and the call in the United States for more strategic clarity in defense of Taiwan is gaining currency even among those in the mainstream. However, as former US intelligence analyst Paul Heer astutely points out, the tangible effect of making the US commitment to Taiwan ironclad is minimal at best because Chinese leaders have “long presumed and planned that the United States would intervene militarily” should Beijing resort to the use of force. At worst, though, the United States risks sleepwalking into a war it is not prepared for because, contrary to popular perception, although “Beijing is not in fact looking for excuses or an opportunity to attack” Taiwan, it has never really committed itself to resolving the differences peacefully.
The Tech War Has Just Begun

While Taiwan is at the heart of the Chinese psyche, technological supremacy is a rite of great power passage for the Chinese as they perpetually attribute the humiliating years of foreign invasion to the realist logic of “fall behind and you get beaten.” In that spirit, those who remain clear-eyed in China never tire of pointing out areas and sectors in which the country remains the laggard. In early 2016, Premier Li Keqiang sparked a heated conversation when he lamented that China could not yet manufacture the tips for the billions of ballpoint pens it made every year. Concerns such as this no doubt gave rise to the “Made in China 2025” strategy aimed at upgrading China’s manufacturing prowess and moving up the value chain. In pursuit of those goals, the Ten Thousand Talents Program was ramped up to attract top-notch scientists from around the world.

As is now widely known, the twin initiatives mentioned above, the sweeping national security law (2015) and intelligence law (2017) that oblige Chinese citizens and entities to cooperate with the security apparatus and the Military-Civilian Fusion effort unveiled by Xi in 2018 to harness the tech sector to advance military power have aroused deep-seated suspicion in the West about Beijing’s intentions. These developments prompted the United States, for one, to take urgent actions to curb technological transfer and Chinese investment in critical sectors ranging from telecommunications and utilities to those involving sensitive data. Realizing its overreach, Beijing since 2018 has toned down official statements pertaining to those controversial programs, even though their policy substance has remained. For many, the damage is already done. The US probes into scientists involved in the talent program landed scores in legal trouble. Whereas the trade war began because of Trump’s fixation with the trade deficit, it also fit into the broader strategic recalibration aimed at curtailing China’s influence across the board.

Huawei, the juggernaut that is leading the 5G race, is at the center of the fight. Whereas the Chinese public see the maker of telecommunications equipment as a source of national pride, it is perceived by American political elites as the avatar of China’s state capitalist model beholden to the party-state. The strategic importance of the 5G network in supporting the “Internet of Things” catalyzed the US government to pressure countries worldwide to shun Huawei’s gear, all the while sparing no effort to cut off its access to critical US technologies and supplies. Succumbing to US pressure in July 2020, the UK government, which had opened the door months ago to a limited role for Huawei, announced it was shutting it out.

Tellingly, the British about-face, based on considerations of international politics as well as the ramifications of US sanctions, could not obscure the fact that despite the stark security warnings, and—as revealed by Edward Snowden—the National Security Agency’s snooping on Huawei’s server, the United States
has yet to find one smoking gun. Instead, the US endeavor is purely preventive in nature and premised on a hypothetical scenario in which the company would shut down a country’s network in the event of a conflict with China. To the Chinese, the US maneuver is emblematic of American hypocrisy and vicious intent to stem China’s rise. In this sense, Huawei can count Bytedance, the Beijing-based owner of TikTok, as company. The national security rationale that the Trump administration tried to force TikTok’s sale was not only specious, it also came, as an industry insider pointed out, “when China technology went from ‘copy to China’ to ‘copy from China.”

Huawei and the ever longer roster of Chinese companies on the US Commerce Department’s “entity list” are in crisis mode. Their Achilles’ heel is the supply of high-tech chips. Even though Huawei has been able to design advanced computer chips of its own, it still depends on outside manufacturers, particularly TSMC, to produce them. In 2019 alone, China imported US$300 billion worth of foreign-made chips, while home-made ones only met about 15 percent of market demand. Following three successive rounds of sanctions that forced TSMC and other manufacturers to stop working with Huawei, in October the United States started to curb the supply of certain equipment, accessories, and raw materials that affected China’s Semiconductor Manufacturing International Corporation (SMIC), the country’s best hope for breaking its dependence on foreign suppliers. After claiming the top spot in the smartphone market in the second quarter of 2020, Huawei has had to give up on developing its high-end smartphone and sell its low-end brand in order to protect the more core business of 5G equipment. Shortage of chips is a clear and present danger for Huawei as much as for China’s high-tech sector overall.

China has tried to stave off a situation such as this. The “Made in China 2025” program broadly mandated that at least two-thirds of China’s needs should be met by domestic chips, and the state-owned National Integrated Circuit Industry Investment Fund spent US$20.8 billion on chip projects in 2014 and raised another US$30 billion in 2019. One of the beneficiaries was Fujian Jinhua, a joint private and public venture, once billed as an industry pioneer for memory chips in China. Only months after the trade war became a reality in July 2018, it was battered by US sanctions and an indictment that immediately threw the multibillion-dollar project into turmoil. Be that as it may, Jinhua’s setback did not deter others from joining the fray. Huawei, for one, is building a dedicated chip plant in Shanghai. The allure of government subsidies incentivized a mad dash for thousands of enterprises to register as semiconductor companies, most of which lacked the requisite experience, technologies, talents, and deep pockets to succeed and ended up saddled with debts. Even the better ones are bedeviled by various problems—in November, Tsinghua Unigroup, the second-largest chipmaker, defaulted on a domestic bond worth about US$200 million.
Experts concur that it will take years, if not decades, for China to break into the exclusive club of cutting-edge semiconductor manufacturers.\(^67\) Worse still, the chip industry is but a microcosm of China’s technological vulnerability. Future American sanctions might even wreck its plan to roll out the COMAC passenger jet, which besides billions in sunk costs and repeated delays, relies on key American-made components and technologies such as jet engines. Nevertheless, the imperative of de-Americanizing its reliance on imported tech products will only motivate China’s government to expedite plans to obtain technological self-sufficiency and supremacy in critical areas. Consequently, all is fair game, industrial espionage included. When the Party’s 300-member Central Committee met in October to deliberate on the 14th Five-Year Plan, due to be formally unveiled in spring 2021, technological advancement was high on the agenda. While more funding will be poured into those areas of strategic import, it is expected that the central government will play a bigger role in coordinating and supervising to improve efficiency. Educational and research institutions will also need to step up, undoubtedly in collaboration with government authorities and the industry.

To sum up, how the new US government will address the problems of Taiwan and tech competition with China will have far-reaching implications for not only regional stability and the global tech scene, respectively, but also for the future contour of the Sino-US relations. As the Biden administration has hit the ground running, the world is holding its breath.

**Toward Managed Great-Power Competition**

What’s past is prologue. Sustained, heightened tensions in Sino-US relations are now to be taken for granted. The stakes are high, and the margin of error is getting smaller. Peace or war, it is always a choice, not a destiny. As strategic distrust and mutual rancor run deep, both Beijing and Washington will need to navigate the treacherous geostrategic landscape with great care and caution.

**China Awaits Biden’s First Moves**

There is no doubt that the Sino-US relationship has reached its lowest point since Henry Kissinger’s secret mission to Beijing in 1971. Given the circumstances, China’s political and intellectual elites have become increasingly resigned to the fact that there is no turning back to the status quo ante. Zhou Wenzhong, Chinese ambassador in Washington in the late 2000s, concluded...
that the United States no longer saw China as a partner but as an adversary instead.68

With their summer overtures rebuffed, Chinese officials also hardened their position toward the United States. In early September, Xi Jinping emphatically rejected the attacks on the party by Pompeo and the like by underscoring five “never-allow” scenarios.69 In October, commemorating China’s entry into the Korean War, Xi proclaimed in a not-so-subtle rebuke of the United States that “[t]he Chinese people understand that to speak to the invaders, we should do it in a language they understand.”70 Xi made those remarks amidst unmistakable signs that the Trump team was determined to lock in its anti-China policies in a way that could not be easily reversed by a prospective Biden administration.71

Immediately after the November election, while continuing its jousting with the Trump team,72 Beijing was relatively reticent about engaging the incoming Biden administration. Chinese officials were not sitting idle, of course. No sooner did China join with 14 other countries to sign the Regional Comprehensive Economic Partnership (RCEP) agreement in November than Xi announced that China would “favorably consider” joining the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP),73 the successor to the Trans-Pacific Partnership (TPP) trade deal that the Obama administration negotiated before being repudiated by President Trump in 2017. Then in the final days of 2020, China struck a long-awaited investment treaty with the European Union, something prioritized by Xi himself, over the express displeasure of the Biden team.74 Clearly Beijing has been harnessing geo-economic means to serve its strategic goals with a keen eye toward the power transition in Washington.

Xi’s congratulatory message in late November to Biden came conspicuously later than many other world leaders. Still, Chinese officials made it plainly clear that they wanted to work with the new administration in the spirits of cooperation plus competition, or “cooperative competition,” so as to address each other’s concerns in a controlled, manageable manner.75 In December, Foreign Minister Wang Yi called for the resumption of mechanisms of dialogue and communication. Among his proposals are the creation of lists where the two sides can cooperate or agree to disagree, as well as efforts to combat the pandemic and economic challenges ahead.76 Yet after Taiwan’s representative, in contravention of four decades of precedence, showed up at Biden’s inauguration ceremony,77 which the PRC’s own ambassador avoided attending most likely as a result, Beijing staged a show of force by sending dozens of warplanes to the Taiwan Strait.78 Alarmed further by statements of senior Biden officials such as Secretary of State Anthony Blinken, who affirmed his predecessor’s determination of genocide in Xinjiang and criticized the crackdown in Hong Kong, Yang Jiechi, the top party official in charge of foreign affairs, demanded on
February 2 that the United States “effectively respect China’s position and concerns on the Taiwan issue” and refrain from interfering into China’s domestic affairs.79

The Biden administration promised to, in the words of Secretary of Defense Lloyd Austin, retain a “laser-like focus” on China and has stacked a “team of rivals” to deal with it.80 While still conducting extensive reviews of US policies, it has also committed itself to acting “in lockstep” with allies in relation to China.81 Even as its foreign policy foci come into clearer view, it has yet to engage China proactively and comprehensively. Not until three weeks into his tenure did President Biden speak with President Xi directly. To the extent that his administration publicly upheld the “One China” principle that Beijing holds sacrosanct, it did so rather tepidly.82 What’s more, since the departure of Terry Branstad in October, there is no US ambassador in Beijing, and no one has been nominated for the job yet. All things considered, while Beijing is still hewing to a wait-and-see stance, it is also high time that the Biden administration clarified its positions on a wide range of matters.

For its part, with Xi firmly in control, the chance for Beijing to initiate a major course correction for domestic and foreign issues of paramount concern is slim. That does not preclude Beijing from offering some minor concessions and good-will gestures, however. First, in terms of the economic relationship, while Chinese businesses such as Huawei would welcome a reprieve from the US technical blockade, we should not expect China to back away from the attempt to forge its technological primacy, given the hard lessons learned under Trump’s watch. Nor will China fundamentally alter its industrial policies. After all, more than tariffs, government subsidies and preferences in favor of state-owned enterprises were what caused Beijing to balk at an agreement with the Trump administration that came tantalizingly close to ending the trade war.83 That said, Beijing is open to amending its trade practices and further opening up the domestic market—for instance, new legal and regulatory measures to protect intellectual properties and foreign investments, though under-reported and under-appreciated, are being put in place.84

Second, having signaled it is ready to re-open the Chengdu consulate and welcome back the evicted American journalists,85 Beijing is very much inclined to restore the strategic dialogues of the pre-Trump era to thrash out differences and seek common ground. High-level communication for crisis management over Taiwan and the South China Sea is sorely needed in order to tone down the saber-rattling.

Beijing is unlikely to initiate a major course correction toward the United States
Finally, in terms of human rights and democracy, exerting more pressure, something the Biden administration is widely expected to do, is unlikely to force Beijing to roll back the national security law in Hong Kong. Nevertheless, wary of the 2022 Winter Olympics being branded the “genocide Olympics,” the Chinese authorities likely will open the door for visits by foreign diplomats and journalists to Xinjiang.

**Beware the Trumpian Trap**

Whereas Joe Biden is expected to be “rebranding but not reinventing” Trump’s China approach, Secretary of State Blinken also acknowledged that “We are in a competition with China, and there’s nothing wrong with competition, if it’s fair.” Echoing this sentiment, Yan Xuetong, an adherent of *realpolitik*, asserted that only if Beijing and Washington reached the consensus that “the essence of Sino-US relations is competition” could they realistically manage their competition and prevent the escalation of tensions into a war. In a similar vein, Robert Manning championed a power-based “framework for coexistence” because an ideologically-skewed view could lead to the self-fulfilling prophesy that “everything we don’t like about China is inevitable.”

Indeed, in the last three of the Trump years, China’s authoritarian system was seized by Trump and his loyalists as the ideological rationale for its constant China bashing. In attacking the Communist Party and endeavoring to separate it from the Chinese masses, many Trumpian Republicans paid no heed to the perception of Chinese people that, for all its ruthless non-democratic nature, the party-state has been rather effective at preserving and defending Chinese national interests. Inadvertently, their comments played into the hands of internal security officials in China, one of whom was recently quoted as maintaining that “The US suppression [of us] is a major threat but [our struggle with the United States] is both a skirmish and a protracted war.”

Furthermore, when attacking China’s security behavior that is not that different in nature from that of the United States, such as its military and intelligence activities, Trump Republicans unfailingly neglected to examine what China’s legitimate interests were but expediently extrapolated those ventures into a broad argument that China was bent on seeking world domination. The result was often overreaction verging on the extreme. For example, as a part of the administration’s broader effort to exact lasting revenge on China before leaving office, Trump’s director of national intelligence characteristically hyped up China’s insidious intentions and, in accusing China of developing “biologically enhanced super soldiers,” plucked something seemingly straight out of science fiction. When tackling China as a “whole of society” threat, US government agents were not above using sleights of hand ranging from harassment...
and intimidation to false claims of child pornography so as to incriminate their intended targets, most of whom were Chinese nationals or of Chinese descent; more often than not, the charges against them were trumped up to the level of espionage, only to be downgraded later to the annoyance of some judges.\textsuperscript{91} Simply put, many of those measures and tactics reek of Sinophobia, not to mention the outright racist comments Trump and his senior aides used with gusto, including their rampant use of “kung flu” and “China virus.”\textsuperscript{92}

Democrats are well advised to avoid those familiar traps.\textsuperscript{93} Even when censuring China’s human rights record as a matter of principle, they should keep in mind that the Communist Party cannot be wished or cursed away. The silver lining, though, is that some of Biden’s senior advisers were perspicacious enough to have realized that reprising the Cold War was the wrong approach and that the right one should be “to lead with competition, follow with offers of cooperation.”\textsuperscript{94} Moving forward, both Beijing and Washington face extraordinary crosscurrents of immediate priorities and long-term strategic adjustments. The first priority of the nascent Biden administration, as a veteran Asia expert presciently described it, “should be America, not China.”\textsuperscript{95}

Along those lines, there are issues aplenty on which they can cooperate or compromise with each other. On the economic front, as the United States is poised to be on a deficit spending spree, it will almost certainly look to China to purchase more of its debt;\textsuperscript{96} ending the protracted, ill-conceived trade war also suits their mutual interests. Beyond that, there is a series of global governance concerns about which Sino-US collaboration is a must, whether they be climate change, Iran, or North Korea’s denuclearization.

\textbf{The Window to 2022}

At present, the key for Chinese and American leaderships is to set the right tone as soon as possible. The harder part, though, is to forge a new modus operandi so that a functional relationship of competitive co-existence is possible over the long run. That endeavor must start with correctly assessing each other’s intentions, interests, and capabilities, as the current state of unbearable animosity stemmed from the failure to do just that.\textsuperscript{97} To illustrate: just as Beijing should not trivialize America’s democratic solidarity with Taiwan, the United States should not underestimate Chinese resolve—even at the cost of war, as a Ministry of Defense spokesperson reiterated in late January\textsuperscript{98}—to achieve unification.

For good measure, both should resist the temptation to frame the other as an existential threat. “Do not do more harm” should be the overriding mantra. To some degree, both Beijing and Washington have their work cut out for them. Both should tune out the populist or partisan noises that proved to be particularly detrimental to building mutual trust. China can be more transparent and more
cooperative in a slate of areas starting with the international inquiry into the origin of the coronavirus. Chinese official diplomats, too, should act in a more professional and responsible manner rather than let loose like wolves. The Biden administration, on the other hand, should curtail the excesses of the Trump years. One issue that has been called to be addressed, following the uproar among scientists after the arrest of a Chinese American professor at M.I.T., is the overzealous clampdown by law enforcement agencies on scientific and educational exchanges with China that has been widely criticized as discriminatory and arbitrary.\textsuperscript{99}

The political clock is ticking toward fall 2022, when the Chinese leadership will go through a major reshuffle at the 20th Party Congress and Americans will vote in the midterm election. It is therefore essential that the two sides make progress here and there and find a new rationale for effectively managing the relationship before the opportunity is lost. In that context, the good news is that we are finally seeing the beginning of the end of the pandemic so that attention can be gradually diverted to more pressing issues. The bad news is that time is running fast, and the challenges are numerous.

Notes


54. Heer, “The Inconvenient Truth about Taiwan’s Place in the World.”


