

CCG Report

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# China and the US in the Biden Era: Trends and Policy Responses

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## Executive Summary

On January 19, 2017, CCG released the report *Trump's Coming Era: Challenges, Opportunities and Policy Responses*. Since then, CCG has continued to concentrate on developments in US politics and China-US relations via multiple track-II trips to Washington DC, numerous events featuring US-China think tank dialogue, and webinars promoting cross-Pacific discussion amidst the pandemic and deteriorating bilateral ties.

On January 20, 2021, Joe Biden was sworn in as the 46<sup>th</sup> US president. Released on the same day, this report examines the domestic drivers of Biden's policy orientation; outlines the changes in the new administration's foreign policy approach - most prominently regarding multilateralism, global governance, and free trade; and explores the dynamics of US-China relations in the next four years.

Drawing on past research, more recent CCG discussions among prominent experts and opinion leaders, and CCG experts' publications, this report considers Biden's presidency a positive signal for the revival of

globalization and an opportunity for China and the US to resuscitate cooperation. With populism remaining a significant factor in US domestic politics, the Biden administration will likely continue to approach the US-China relationship through the lens of strategic rivalry. However, facing urgent tasks such as containing the coronavirus, restoring economic growth and social stability, and repairing badly-damaged international prestige, it is expected that the new administration will deal with a rising China in a more rational, consistent, and predictable way than its predecessor.

The Biden White House's return to multilateralism also opens up broader horizons for potential cooperation between the countries. Given this window of opportunity to improve the bilateral relationship, CCG puts forward the following policy recommendations:

1. Resume bilateral high-level, multi-channel dialogue and exchange mechanisms between China and the US in a timely manner.
2. Establish a trilateral dialogue and coordination mechanism between China, the US and Europe, and convene a vaccine summit to promote global cooperation on pandemic control and global economic recovery.
3. Propose a Global Climate Summit involving the G10 (an expanded version of the G7 including China, Russia and India.)
4. Explore avenues for the US and China to join the CPTPP, support the WTO modernization agenda, and expand RCEP stakeholders to include the US.
5. Ease restrictions on market access by both US and Chinese governments, with Washington relaxing sanctions against Chinese firms such as Huawei, TikTok, Tencent, Alibaba and Xiaomi, and Beijing opening its market to American tech companies including Google, Twitter and Facebook.
6. Redress the unilateral tariffs levied on Chinese exports to the US, implement the Phase One Trade Deal in full, and accelerate progress towards the negotiation of a "Phase Two" deal.
7. Revive talks on the US-China Bilateral Investment Treaty to facilitate two-way flows of FDI.

8. Promote China-US infrastructure cooperation via direct financing, greenfield investment, capacity building, and other measures that align with Biden's infrastructure drive and US energy exports.
9. Engage Washington on the Belt and Road Initiative within a framework of multilateral cooperation on infrastructure development financing.
10. Strengthen ties between Chinese and US subnational governments to tap into local forces supporting increased engagement in both countries.
11. Restore non-governmental and cultural exchanges between scholars, journalists and students between the US and China, and restore the momentum of education cooperation.
12. Revisit the merits of multi-party talks on regional security issues such as the Iran nuclear deal and nuclear proliferation on the Korean peninsula, and promote economic cooperation in the Asia-Pacific region.

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# Part I. The Democrats' Governing Base in the Biden Era

## I.I Biden's Cabinet Picks

### 1. Diversity

"Diversity" is the most prominent characteristic of Biden's cabinet picks. In Trump's administration, around 71% of the Cabinet members were white and male - the highest proportion since Ronald Reagan's administration. Among Biden's nominees and appointees, nearly half are ethnic minorities and over 60% are female. Biden has fulfilled his diversity promise to bring racial and gender equality to the US political environment starting from his own cabinet. 46% of the team members and 41% of the senior staff in the transition team announced on 15<sup>th</sup> November belong to ethnic minorities. <sup>1</sup> In addition, his choice of Kamala Harris - an African-American woman – as running mate reflects his strong commitment to diversity. Biden has successfully reconfigured power in Washington – previously dominated by white males – reflecting the return of "equal rights," a longstanding value holds dear to Democrats.

### 2. Return to the Washington Establishment

The second outstanding feature of Biden's cabinet is return to the so-called "blob". Compared with Trump's cabinet, which was marked for being "non-establishment," Biden's core cabinet members come from former Democratic administrations. Most were key policymakers under the Obama administration and served for Joe Biden during his vice presidency. For example, the newly-nominated President's Climate Envoy John Kerry was Secretary of State for the second Obama administration; the announced Secretary of State Tony Blinken was former Deputy Secretary of State, Assistant to the President, and Principal Deputy National Security Advisor who also served under Obama; the nominee for National Security Advisor Jake Sullivan was the National Security Advisor to Vice President Biden at the time; Alejandro Mayorkas, Deputy Secretary of Homeland Security under Obama will be Secretary of Homeland Security; Avril Haines, Deputy Director of the CIA under Obama will

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<sup>1</sup> Shang Zhou Jun, "Biden Deliver Promise!", Business Week/Chinese version, 2020-11-17

be Director of National Intelligence; Denis Donough, former White House Chief of Staff, will be Secretary of Veterans Affairs. Both Director of the National Economic Council Brain Deese and Chairwoman of the Council of Economic Advisors Cecilia Rouse used to serve under Obama's administration as economic experts. This cabinet will differ from Trump's in terms of professional expertise, political seniority, and strong networks in Washington.

### **3. China Experience**

It is worth noting that many cabinet members nominated by Joe Biden boast significant experience in Chinese affairs and have had extensive knowledge about China. In Trump's administration, there were few China experts, with the exception of Matt Pottinger, who majored in Chinese Studies and was previously a foreign correspondent in China. Even Peter Navarro, well-known for his tough stance on China and author of "Death by China", had never been to China himself before China-US trade negotiations commenced.

By contrast, Biden's team is more familiar and well-connected with China. Anthony Blinken and Jake Sullivan were involved with Chinese foreign affairs under Bill Clinton.<sup>2</sup> Also the nominee for US trade representative Katherine Tai, is not only of Chinese heritage but was also in charge of legal affairs with China during her tenure in the office of USTR. The newly-appointed Senior White House China Director, Laura Rosenberger, was the former Director of the National Security Council for China and Korea under Obama; Ely Ratner, who previously served for Biden's election campaign, also worked with China in Obama's team; and Jeffrey Prescott, the Deputy National Security Advisor for then-Vice President Biden, used to be an associate professor in Fudan University and a visiting scholar in Peking University, and is well recognized as the founder of Yale-China Center.<sup>3</sup>

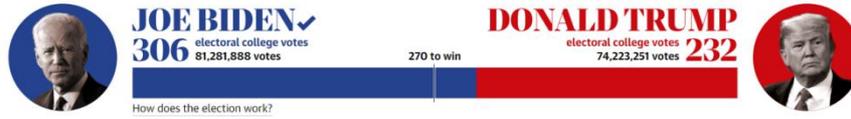
## **I.II America's Political Reality**

### **1. A Divided Polity**

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<sup>2</sup> Jack Sullivan was invited to an event in 2017 hosted by the CCG, the American Chamber of Commerce in China, and the Yale China Center, and spoke with Financial Times reporter Buru Hammond. See more: <https://yalecenterbj.glueup.cn/event/13254/>

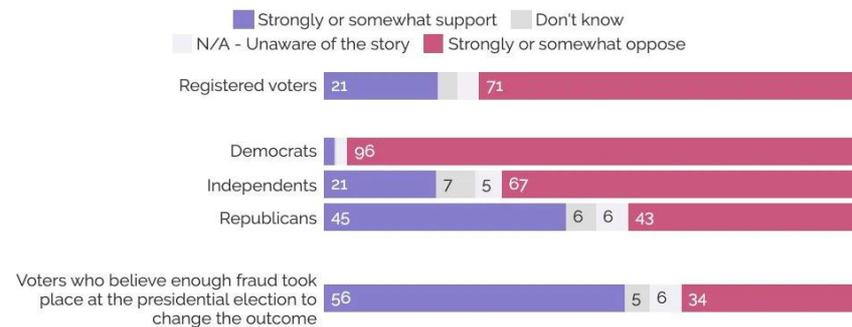
<sup>3</sup> <https://yalecenterbj.glueup.cn/event/13254/>



Beginning on November 2, the 46th president election ended on January 7. Biden took office with 306 electoral votes and 81 million popular votes. The Democrats also won a majority in the Senate thanks to the election of Georgian senators, which means the Democrats will control the White House, Senate and House of Representatives. <sup>4</sup> However, turbulence in January reveals that it was a “tragic victory”. Biden winning the election does not eliminate Trump’s influence. In a June 2020 report, the Pew Research Center shows that 67% of voters voted for Biden because they disliked Trump. On the contrary, only 76% voters who voted for Trump were actually Trump supporters, while 24% voted due to opposing Biden.<sup>5</sup> Judging from the data in November, only 2% of Biden voters believe that Trump voters can understand their views. Similarly, the other side's figure is also very close. 21% of Biden voters and 23% of Trump voters attacked each other with malicious words in the survey. <sup>6</sup>Despite the defeat, Trump still won more votes than any president seeking re-election in American history (Trump’s popular votes exceeded 74 million). According to a recent poll conducted by Gallup, Trump scored higher than Obama (whose support rate was 15%) with a support rate of 18% and was rated the most respected man in the US in 2020. <sup>7</sup>According to YouGov's survey of 1397 voters randomly selected, 45% of Republican voters approve of the attacks on The Capitol.<sup>8</sup>

### One in five voters - including 45% of Republicans - approve of the storming of the Capitol building

Supporters of President Trump have stormed the US Capitol to protest lawmakers certifying Joe Biden's election victory. Based on what you have read or heard about this, do you support or oppose these actions? (%)



YouGov

January 6, 2021

<sup>4</sup> If Democrats and Republicans each hold 50 seats in the Senate, the Vice President Kamala Harris, the official speaker of the Senate, has tie-breaker power

<sup>5</sup> <https://www.pewresearch.org/politics/2020/06/30/publics-mood-turns-grim-trump-trails-biden-on-most-personal-traits-major-issues/>

<sup>6</sup> <https://www.pewresearch.org/politics/2020/12/17/voters-say-those-on-the-other-side-dont-get-them-heres-what-they-want-them-to-know/>

<sup>7</sup> <https://news.gallup.com/poll/328193/donald-trump-michelle-obama-admired-2020.aspx>

<sup>8</sup> <https://today.yougov.com/topics/politics/articles-reports/2021/01/06/US-capitol-trump-poll>

Among the protesters storming Congress were many Republicans from the state-level. After the riots, nearly 140 Republican congressmen and 8 Republican senators continued to support Trump despite the presidential election results.<sup>9</sup>

Since the 1990s, divergence and rivalry between the Democrats and Republicans has intensified. The pattern of “first veto, then govern” leads to inefficiency in governance. More than two-thirds of Republicans and Democrats believe that voters can neither agree on policy nor on facts. Trump’s win in the 2016 election was largely the result of deep schisms in the American society, which reveals unprecedented political dilemmas caused by economic and demographic changes.

The storming of the US Capitol marked a new climax of populism. Due to the polarization of the parties, an increasing number of moderates have withdrawn from Congress and cease to participate in elections.<sup>10</sup> This is true for both parties. What Biden has to face is the division within the Democratic Party, manifested between the more radical wing represented by Sanders and the centrist bloc represented by Biden.

The Trump administration has almost dispelled all moderate Republicans. No aspiring Republican would be able to resist the alluring Trump’s. Many right-wing politicians plan to absorb Trumpian voters and rekindle Trumpism to campaign for president in 2024. Although Trump was banned on social media platforms after the turmoil, whether he can escape legal consequences and run for election in 2024 remains unclear for now.

Another view is that Trump and his supporters, especially Republican leaders, may have overplayed the game of protesting the election results. The Democratic Party’s position in the Senate and the House of Representatives will bestow it the final say on major issues. Given that the Democrats do not have a majority in the Senate, and have only a slim advantage in the House of Representatives, the more radical leftist agenda, such as large tax increases for the rich and multinational corporations, will not have fast track.<sup>11</sup> Biden differs from Trump in his 30 years’ experience with Washington politics. Nancy Pelosi, the speaker of the House of Representatives, is a close acquaintance of Biden. A large number of high-level government officials nominated were Biden’s confidants and veterans of the Obama administration when he was vice president. Hence it is reasonable to believe that

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<sup>9</sup> [http://www.xinhuanet.com/2021-01/08/c\\_1126961742.htm](http://www.xinhuanet.com/2021-01/08/c_1126961742.htm)

<sup>10</sup> Thomsen, Danielle M. *Opting out of Congress: Party Polarization and the Decline of Moderate Candidates*. Cambridge University Press, 2018.

<sup>11</sup> Quidi Liu, "What does the Democratic blue tide mean for the US economy", FT, 2021-1-18

Biden has the ability to persuade some moderate Republican senators to swing on some issues.

The Biden administration seems to bring some positive hope to the "new era." In the future, under Biden's leadership, whether the US and the world can get back to "normal" depends largely on Biden's ability to narrow and close income disparities caused by systemic factors at home and abroad. It involves substantial redistribution of wealth, which is a huge test of the ability and willingness of Biden and his administration.

## 2. Worsening Inequality Amid a Pandemic

The prevalence of populism in the recent years has caused a great governance crisis in American society. Domestic problems have continued to ferment, which is the result of political governance lagging behind economic reality. Populism is deeply rooted in income inequality. Today, the issue of income inequality in the US is at its worst, contributing to the rise of Donald Trump. In the early 1980s, 1% of the population had accumulated 23.6% of the country's total wealth - much higher than the total wealth owned by the bottom half (3.7%). At the beginning of 2011, the total wealth of the bottom half of the income group was only 0.4%, while the wealth of the top 1% rose to about 30%.<sup>12</sup> In the process of economic globalization, US multinational companies have gained from low costs and high earnings and become the ultimate winners. However, a large number of multinational companies have sought offshore tax havens, leaving America with depleted revenues and shrinking jobs. The US GDP in 2016 was three times that of 1979, but the median of real wages had barely increased.<sup>13</sup> The ratio of the salary of CEOs of large American companies to the wages of ordinary workers shot from 21:1 in 1965 to 320 :1 in 2019. From 1978 to 2019, the level of compensation of American CEOs increased by 1167%, while the salary of factory workers only grew 13.7%.<sup>14</sup> The average tax rate of the top 400 wealthiest families in the US in 1950 was close to 70%. This tax rate has been declining for half a century to around 20%, while the average tax rate for the bottom half has remained at 20%.<sup>15</sup> In the past four years, the total tax rate of the 400 richest Americans was lower than all other income classes due to the tax cuts in 2017.

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<sup>12</sup><https://www.federalreserve.gov/releases/z1/dataviz/dfa/distribute/table/#quarter:124;series:Net%20worth;demographic:networth;population:all;units:shares>

<sup>13</sup> <https://fred.stlouisfed.org/series/LES1252881600Q>

<sup>14</sup> <https://www.epi.org/publication/ceo-compensation-surged-14-in-2019-to-21-3-million-ceos-now-earn-320-times-as-much-as-a-typical-worker/>

<sup>15</sup> <https://www.nytimes.com/interactive/2019/10/06/opinion/income-tax-rate-wealthy.html>

By January 7, 2021, confirmed cases of Covid-19 had reached over 21 million – posing a grave threat to the US economy. David Cutler and Lawrence Summers, two economic experts from Harvard, estimated that the pandemic will cost the nation at least \$16 trillion if it ends by this fall. The damage, Cutler said, is four times higher than the 2008 Great Recession.<sup>16</sup> The US unemployment rate has reached 14.8 percent in the last quarter of 2020 - the highest point since World War II.<sup>17</sup> However, many tech giants have achieved impressive gains in stock value. According to data from the Federal Reserve, the top 1% wealthiest group has gathered more than 31% of national wealth by the end of Q3 in 2020.<sup>18</sup> Amazon CEO Jeff Bezos almost doubled his wealth since March 2020.

To reverse the steep economic downturn requires much more effective and proactive measures, including targeted income redistribution towards low-income households and marginalized groups. But prior to the distribution proposal, Biden should prioritize domestic economic recovery, which will not be achieved overnight. He must begin by getting the pandemic under control, ending the vicious cycle by vaccine rollout and social distancing, before trying to spur economic recovery.<sup>19</sup> Some states led by Republicans may insist on strong recovery measures, which could cause a vicious cycle of “pandemic control and economic recession.” Secondly, under Biden’s stimulus policy, the Fed would continue quantitative easing, which would greatly benefit the US banking and financial sector but widen the income gap.<sup>20</sup>

## I.III Constraints Posed by Trump’s China Policy

### 1. From Trade to Ideology

In November 2020, under the leadership of Secretary of State Mike Pompeo, the State Department's Policy Planning Staff issued the report "The Elements of the China Challenge," calling China "a Marxist-Leninist dictatorship", while the US' task is to "secure freedom." Released at a sensitive time of the US election, this report was able to achieve bipartisan support. In his first National Security Strategy (NSS) after taking office, Trump

<sup>16</sup> <https://news.harvard.edu/gazette/story/2020/11/what-might-covid-cost-the-u-s-experts-eye-16-trillion/>

<sup>17</sup> <https://tradingeconomics.com/united-states/unemployment-rat>

<sup>18</sup> <https://www.federalreserve.gov/releases/z1/dataviz/dfa/distribute/table/#quarter:124;series:Net%20worth;demographic:networth;population:all;units:share>

<sup>19</sup> There has been debate on quantum easing and widening of inequality gaps, see more: <https://www.bankofengland.co.uk/working-paper/2018/the-distributional-impact-of-monetary-policy-easing-in-the-uk-between-2008-and-2014>

<sup>20</sup> Mohamed El-Erian, “New Covid variant will increase stress on global economy and widen inequality”, *Financial Times*, 2021-1-7.

clearly defined China as a "strategic opponent," accusing China of being a "revisionist power" and "trying to shape a world opposite to the American values and interests." In early 2018, the Trump Administration launched a trade war against China on the grounds of "unfair trade practices" and "intellectual property theft," setting tariffs and various trade barriers. The levies are still in place till this day. During the pandemic, Trump's "China virus" statement incited widespread negative sentiment against China and Chinese-Americans. According to a report by Pew Research Center in October 2020, 73% of Americans hold a negative attitude towards China, a 13% increase compared to last year, the highest ever recorded.<sup>21</sup>In 2021, US Secretary of State Mike Pompeo announced on January 9 that the US would void restrictions on diplomatic contacts with Taiwan, which challenges the Chinese government's red lines. Furthermore, the Trump administration was even tougher on China during the last few remaining weeks in the Oval Office, aiming to solidify ideological disputes between China and the US, with the intention of locking US' China policy into confrontation and limiting the next administration's space for adjustment.

## **2. Last Moves against Chinese companies**

On December 18, 2020, the Bureau of Industry and Security of the US Department of Commerce added SMIC to the Entity List, joining the camp of high-tech Chinese enterprises such as Huawei, ZTE, DJI and Hikvision. The semiconductor industry is an important field of Sino-US competition. American exporters must apply for licenses to sell products to companies on the Entity List, limiting their ability to acquire American technology. By the end of 2020, over 400 Chinese entities have been listed, ranking the first of any country. On January 5, 2021, Trump signed an executive order to prohibit trading with eight Chinese applications including WeChat payment and Alipay under the Ant Group. On January 14, the US government added nine Chinese enterprises, including Xiaomi, a mobile phone manufacturer, and COMAC, an aircraft manufacturer, to the blacklist of the "List of Military Industry Enterprises of the Communist Party of China," in an effort to exert greater pressure on China.

Given the composition of Biden's cabinet, the deep-seated domestic tensions behind the US election, along with the restrictions set by Trump for the next administration before he left office, it is expected that the new administration will rule by the following characteristics – Firstly, the Biden team will seek to restore the established policymaking system in the Obama era. Secondly, Biden will prioritize his domestic agenda, focusing on the pandemic,

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<sup>21</sup> <https://www.pewresearch.org/global/2020/10/06/unfavorable-views-of-china-reach-historic-highs-in-many-countries/>

the economy, and people's livelihoods, in order to mitigate social cracks. Thirdly, the Democratic Party's values – heavily influenced by identity politics - have returned to the political center, with a strong emphasis on civil rights, environmental protection, social equality, and the international pursuit of multilateralism based on value alliances. In addition, the new administration will face difficulties in trying to eliminate the domestic impact of globalization in the short term, and political/security considerations will be more important than economy/efficiency. Lastly, the containment of China will continue to be a bipartisan consensus and may even be strengthened.

## **Part II. Foreign Policy Outlook for the Biden Administration**

After four years of Trump's "America First" unilateralism, Biden's win vindicated the foreign policy elite's longing for a "return to normalcy." Biden has vowed that "America is back and America is ready to lead." There is no doubt that the Biden administration will begin a new chapter in its foreign policy with a return to multilateralism.<sup>22</sup> The Biden era will see America's return to the multilateral stage in three areas: global governance, regional security and free trade.

### **1. Global Governance**

The Paris Climate Accord signed in December 2015 represents a highpoint of global cooperation regarding climate change. When the Trump administration decided to withdraw from the agreement, it left global climate cooperation hanging without the leadership from the world's superpower. Thankfully, Biden has committed to improving global governance on climate change by rejoining the Paris climate accord.

Biden's climate change agenda will impact the future of US foreign policy. The new administration will most likely retract Trump's position on climate to introduce higher

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<sup>22</sup> Multilateralism refers to the practice of coordinating three or more states in international politics. It mainly takes the form of international organizations and multilateral agreements. Multilateralism emphasizes the constraint of each state's need and coordinate with other's interests, cooperate to solve the problem. The US has a leading role in the post-World War II reconstruction of the international system, also established global multilateralism mechanisms within multiple dimensions, including economy, trade, finance, politics and security. These international organizations and multilateral agreements still play an important role in maintaining the stability of the world order and promoting the US-led globalization.

standards on clean energy and environmental preservation into areas of multilateral financing and international trade.

On public health, the Covid-19 pandemic exposed weaknesses and flaws in the existing global health governance structure. Trump's politicization of the coronavirus issues led to his decision to quit the World Health Organization (WHO) on July 7, 2020. By contrast, Biden's covid-fighting platform includes renewed US membership in the WHO.

## 2. Regional Security

Trump's unilateralism and his transactional approach to foreign affairs have alienated America's allies and damaged US role in regional security. Biden's only way forward is to restore America's political credibility and win back its friends. Rejoining the Paris accord signals to the international community that America is reclaiming its leadership on global challenges and most importantly seeking to repair the transatlantic relationship.

The EU Commission President Ursula von der Leyen welcomed Biden's commitment to multilateralism. Regional security is not only a concern of global governance, but is also of great importance to Europe. During Trump's presidency, the US withdrew from the Iran nuclear deal, rehashing problems like Iranian "missile tests," "support for terrorism," and its "threat to regional stability," claiming the deal was "a horrible one-sided deal that should have never, ever been made." Moreover, Trump's support for Saudi Arabia taking a more aggressive approach to Iran and his announcement of the US recognition of Jerusalem as the capital of Israel - ordering the relocation of the US Embassy in Israel from Tel Aviv to Jerusalem - is no different to withdrawing from the process of bringing peace to the Middle East.<sup>23</sup>

By contrast, Biden has pledged to revive the agreement, suggesting JCPOA is the most diplomatic and effective solution to the Iranian nuclear crisis. Once the US resumes its negotiation with Iran, the EU could normalize its relationship with Iran in terms of trade and diplomacy. Thus, Biden will not only fulfill his commitment to nuclear non-proliferation, but also win back the EU's trust. Furthermore, returning to the deal also reflects Biden's willingness to use the United Nations framework as a multilateral platform to address security issues such as nuclear proliferation.

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<sup>23</sup> Shen Yamei, "Trump" America first "demands and constraints", journal of international studies, 2018, pp. 96-111

Arms control is also prioritized in Biden's regional security agenda. Russia is not only a major security concern of the US, given its great strategic significance, but also has a direct impact on America's allies. In 2010, the "Strategic Arms Reduction Treaty" was signed between President Obama and Prime Minister Dmitry Medvedev. It was later criticized by Trump as a "bad deal" by the Obama administration. Trump said the treaty was "unilateral" and clearly better for Russia.

Biden has a markedly different approach to arms control compared to Trump's. First, Biden's campaign prior to the election mentioned that he would seek to extend the New START treaty, which paved a positive path for the US and Russia to continue nuclear disarmament in the future. Additionally, his agenda also indicates the New START Treaty will be the basis of negotiation for arms control treaties in the future. This reflects the Democrats' institutional approach to national security issues, and the Biden administration may place greater emphasis on bilateral and even multilateral nuclear talks in the future.

The new administration is burdened with multiple tasks as Joe Biden takes office. The challenges they currently face will require help from their allies. During the past four years, Trump has created problems abroad. His multiple threats to withdraw from international treaties and organizations has caused the US to be discredited, not just in the international arms control system, but also inhibiting its ability to use treaties to bind adversaries and pursue American interests -- which will take a long time to fix.

Favored by domestic arms control advocates, Biden's administration consists of multiple experts and negotiators in this field. It can be expected that the Biden team is more inclined to approach arms control and regional security policy in a more sophisticated, multilateral way than that of the previous administration.

### **3. Multilateral Trade**

Under the Trump administration in the past four years, global trade has been shadowed by protectionism. Donald Trump believed that the US was taken advantage of by its trading partners under the unfair trade agreements negotiated by the previous administrations. On the very first day Trump assumed office, he signed executive orders to withdraw from the Trans-Pacific Partnership (TPP), and later renegotiated the North American Free Trade

Agreement (NAFTA), expressed his contempt for the World Trade Organization (WTO) and literally blocked the function of its appellate body.<sup>24</sup>

On trade, Biden differs from Trump as he places greater emphasis on setting trade rules than deficits. Jake Sullivan, Biden's National Security Advisor, believes Trump's approach of chasing bilateral deals will not allow the US to effectively compete in the decades ahead. On the contrary, an approach that leans too heavily on bilateral agreements sets up a "race to the bottom" and takes away the level playing field for all trading nations. Sullivan's doctrine stresses that the US does not just need better trade deals, but rather better mechanisms to reinforce them.

Biden's pick for US Trade Representative, Katherine Tai, is a former WTO official with extensive experience in trade negotiations. That means Biden might take his first step back to free trade starting with WTO reform, as the former WTO chief Pascal Lamy observed, "Despite the Trump administration's attempts to paralyze the WTO, it is reasonable to expect the Biden administration to bring the US back to the WTO negotiating table."<sup>25</sup> Sabine Weyand, director-general of the European Commission's trade department, said Biden and the EU had reached a consensus on WTO reform. "This will also have an immediate impact on the progress of transatlantic relations" she stressed that the "EU and the US should take this leading role," calling on Biden's administration to be more constructive regarding the WTO appellate body, agreeing to accept new officials selected to resume WTO functions as soon as possible.<sup>26</sup>

Judging from the difficult experience of the Obama administration in promoting TPP and the domestic political priorities of Biden, CPTPP is unlikely to appear on the early agenda of the Biden administration. Nevertheless, it is conceivable for the new administration to return to CPTPP in the future. The regional developments recently materialized in favor of China, such as the signing of the Regional Comprehensive Economic Partnership (RCEP) and the completion of bilateral talks for the Comprehensive Investment Agreement (CAI), will likely prompt the Biden administration to reconsider the merits of CPTPP, originally designed by

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<sup>24</sup>Jake Sullivan, "Trump is Partially Right About Our Trade Deals. He's Wrong About How to Fix Them", *Politico Magazine*, 2018-3-15

<sup>25</sup> Pascal Lamy, speech at the CCG's 6th China and Globalization Forum Online Discussion, "The Revival of Globalization and Multilateralism 2020: China-EU Relations in 2021 and Beyond", 2020-11-11

<sup>26</sup> Sabine Weyand, Open Strategic Autonomy in the European Union and Transatlantic Trade Relations: A Summary of Opening Views, Johns Hopkins Institute for Contemporary German Studies, 2020-9-15

the Obama administration as a strategy to counter China's economic rise in the Asia-Pacific.

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Joe Biden campaigned under the slogan "Build Back Better." To achieve that, a return to multilateral approach towards trade, security, and other global issues is essential for the US to rebuild trust in its allies and the wider international community. However, this call will also test the new administration's ability to sort out domestic issues – a sprawling health crisis, a covid-hit economy, and a the unrelenting Trumpian populism in Congress and constituencies.

## Part III. The Biden Era: A New Phase in China-US Relations?

To be sure, Beijing is under no illusion that the incoming administration will make a U-turn in China-US relations. Brookings' John Thornton, a prominent figure in US-China relationship, said at a CCG webinar that US foreign policy thinkers and practitioners have reached 7 points of consensus on US-China strategic competition, reinforcing the widely shared perception in China.<sup>28</sup> Nevertheless, there are still reasons to expect a new direction in the bilateral relationship under Biden. For one thing, the Biden administration will be confronting a range of domestic challenges that require more urgent actions than a growing China. For another, given Biden and his team's experience and style, Washington's China policy in the next four years, albeit tough, at least will be more rational, consistent and predictable than that under Trump.

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<sup>27</sup> For an example of such argument, see Wendy Cutler, "Reengaging the Asia-Pacific on Trade: A TPP Roadmap for the Next US Administration", *Asia Society Policy Institute*, 2020-9-30

<sup>28</sup> The seven consensus include: (1) to leapfrog the US as a technological power, and thereby displace it as the world's dominant economic power; (2) to undermine US dominance of the global financial system and the status of the US dollar as the global reserve currency; (3) to achieve military preponderance sufficient to deter the US and its allies from intervention in any conflict over Taiwan, the South China sea or the east China sea; (4) to diminish the credibility of American power and influence sufficiently to cause those states currently inclined to balance against China to instead begin bandwagoning with China; (5) to deepen and sustain China's relationship with its most valuable strategic partner Russia in order to head off western pressure; (6) to consolidate the Belt and Road Initiative into a geopolitical and geoeconomic block in support of China's policy ambitions, forming the foundation for a future sinocentric global order; (7) using China's growing influence within international institutions to de-legitimize and overturn initiatives, standards, and norms perceived as hostile to China's interests, particularly on human rights and international maritime law, while advancing a new hierarchical authoritarian conception of international order under President Xi's deliberately amorphous concept of a quote "community of common destiny for all mankind". Summary of John Thornton's speech on the seminar of Globalization at Crossroads: US Election and Its Impact on China and the World, 6th China and Globalization Forum 2020.

## 1. A Rational Approach toward US-China Rivalry

Among recent US presidents, Biden is the one most familiar with China. He has visited China at least four times and met four generations of Chinese leaders. John Thornton characterizes members of Biden's team as "sensible centrists."<sup>29</sup> In the past four years, traditional foreign policy elites were largely marginalized with a substantial number of posts in the State Department and the National Security Council left vacant. Graham Allison believes that instead of Trump's style of "twitter presidency", the Biden administration will restore Washington's pecking order for effective policymaking.

Biden and his team believe that their major task at hand is to restore America's competitive edge from within rather than stir up external tensions with a rising power – a clear divergence from Trump's line.<sup>30</sup> In the Foreign Affairs article co-authored by Jake Sullivan and Kurt M. Campbell, the two influential figures in Biden's foreign policy team points out that confrontation is by no means the best choice for managing the competition. The US should focus on key areas such as military, economy, politics and global governance, safeguarding its own interests on the basis of coexisting with China.<sup>31</sup> Presently, the US is still facing threats from a pandemic and social instability, the Biden administration will rationally focus on domestic agenda rather than bashing China.

All that means that although structural issues in the bilateral relationship outlives Trump's term, the incoming Biden administration nonetheless opens some space for easing tensions and perhaps eventually coming to terms with a "cooperative rivalry" or "rival partnership" in Joseph Nye and Graham Allison's words.

## 2. Prospects of Resumed Trade Talks

From 2018 on, the bilateral trade negotiations have gone through multiple rounds and setbacks. On January 15, 2020, Beijing and Washington eventually reached a phase one trade deal, which was quickly disregarded due to the "China virus" saga following the

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<sup>29</sup> John Thornton, 6th China and Globalization Forum held by CCG on "Europe and Globalization after the US Election: The New Role to Play?" 2020-11-11

<sup>30</sup> Diao Daming, What Will Biden Administration Bring to China?, Z.H. Island, January 9th, 2021.

<sup>31</sup> Kurt M. Campbell and Jake Sullivan, "Competition Without Catastrophe: How America Can Both Challenge and Coexist With China", Foreign Affairs, 2019-9/10

outbreak of covid-19 in the U.S. in March. The trade conflict has since metastasized into almost every aspect of the bilateral relations from diplomacy and culture to technology and investment. The trade war set off by the Trump administration mainly focused on imposing additional 7.5% to 25% tariffs on around \$370 billion of Chinese exports to the US, issuing bans on Huawei and semiconductor chips, and extending the Entity List.<sup>32</sup> The ultimate purpose for Trump was to decouple with China, but in fact this has been counterproductive. According to the US Tax Foundation, as of September 2020, the \$70.9 billion levies against Chinese products were de facto taxes imposed on US citizens, along with the loss of over 180,000 jobs.<sup>33</sup> A study commissioned by the US-China Business Council (USCBC) shows that the trade war with China has caused a peak loss of 245,000 US jobs, but that a gradual scaling back of tariffs on both sides would boost growth and lead to an additional 145,000 jobs by 2025. If the trade war falls into an “escalation scenario,” then it could shrink US GDP by \$1.6 trillion over the next five years and lead to a reduction of 732,000 US jobs in 2022.<sup>34</sup>

Some believe that Biden’s victory means that the new administration’s trade policy will still be constrained by voters along the Rust Belt who favor protectionism. But as the tariffs were widely criticized as an ineffective means to redress trade imbalance, Biden’s team is likely to reassess the costs and effects of the tariffs. US trade deficits have continued to rise since the trade war. According to a recent research by the US federal reserve, US trade deficit in 2020 exceeded \$600 billion, second only to that of 2008.<sup>35</sup> America’s trade imbalance is rooted much in the US dollar’s status as the international reserve currency. Targeting Chinese exports is not only barking at the wrong tree but also shooting in the foot by hurting the very constituencies that Trump vowed to protect, including farmers and industrial workers. US companies, long opposing the tariffs, have called on Biden to repair the damage in US-China trade relationship.

Biden has admitted that high tariffs on Chinese goods is actually an additional tax levied on US consumers and producers. He believes the best way to confront China on intellectual property and technology transfer is to unite with allies rather than use unilateral tariffs. In a

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<sup>32</sup>The Trump administration employed three lists and presidential executive orders as sanctions against Chinese companies. The three lists are Entity List, Military End User, and Communist Chinese Military Companies. Both lists and executive orders are administrative manners, authorized by different laws. The three lists mainly target at restrictions on Chinese companies supply chain and financing, while presidential executive orders restrict Chinese companies from doing business in the US. The US government is able to impose one or more than one of the above-mentioned sanctions on Chinese companies at the same time. For example, SMIC received all the three sanctions in the past three years.

<sup>33</sup> <https://taxfoundation.org/tariffs-trump-trade-war/#:~:text=The%20Trump%20administration%20has%20so,share%20of%20GDP%20since%201940>

<sup>34</sup> <https://www.reuters.com/article/us-usa-trade-china-jobs/u-s-china-trade-war-has-cost-up-to-245000-xu-s-jobs-business-group-study-idUSKBN29J209>

<sup>35</sup> <https://fred.stlouisfed.org/series/BOPGSTB>

recent interview, Biden said that he will temporarily put the phase one deal on hold until comprehensive evaluation and full consultation with allies are completed.

Katherine Tai, President Biden's USTR appointee, has attracted much attention for her Chinese heritage. But she is better known for her extensive experience working with trade laws and multilateral rules. A former presidential staff commented that although Katherine Tai and Robert Lighthizer both "made a name for themselves arguing for a tough line on China," the difference is that she is good at handling joint disputes by US and partners at WTO against China.<sup>36</sup> Tai has served as chief Trade Counsel of the House Committee on Ways and Means since 2017, during which time she contributed to the signing of the US-Mexico-Canada Agreement and gained respect from Republicans. Congress is not likely to block her appointment due to her bipartisan appeal.

On January 13, China's State Council appointed Yu Jianhua as Ministry of Commerce's International Trade Negotiation Representative. These appointments seem to signal that re-engagement on trade between China and the US may be sooner than expected. The US Chamber of Commerce also expects an early visit from high-level Chinese officials to the US to reopen trade talks as well as lay down groundwork for the relationship under the new administration.<sup>37</sup> Expected items of negotiation would involve a reset target in Chinese purchase of US goods that is realistic to the country's import capacity, steps aimed to reduce the tariffs, and finally, a plan to jump-start negotiation for phase two deal.

### **3. Common Interests in Multilateral Cooperation**

Global threats and challenges require global governance, for which multilateral cooperation is the key. China has long championed for global governance and international cooperation. Biden's resuscitation of US commitment to multilateralism signifies at least four areas of common interest between China and the US. First and foremost, there is huge potential for cooperation for the world's two largest economies to join force on climate change. When Biden served as Vice President during the Obama administration, China and the US had already reached agreements on fields like climate change and clean energy cooperation. Currently, the new US administration is making big shifts on new energy policy and upholding climate change as a means to reclaim US leadership on global. Chinese President Xi Jinping formally announced Beijing's commitment to carbon-neutral before 2060. The

<sup>36</sup> <https://finance.sina.com.cn/stock/usstock/c/2020-12-12/doc-iiznctke6118621.shtml>

<sup>37</sup> <https://www.reuters.com/article/usa-trade-china/us-chamber-expects-high-level-chinese-visit-early-in-biden-administration-idUSL1N2JO2KM>

convergence toward carbon emission between the world's two biggest emitters is auspicious for climate as well as US-China relationship. John Kerry, Biden's Climate Envoy, promoted China's accession to the Paris Climate Accord during his tenure in Obama's administration as Secretary of State. At the thematic dinner hosted by CCG at the Munich Security Conference in February 2020, John Kerry delivered a keynote speech calling on both sides to focus on cooperation rather than decoupling and new cold war as the way forward in US-China relationship.<sup>38</sup>

Secondly, stamping out the pandemic is not possible without global cooperation, in which the US and China can play a significant role. Containing the virus spread is the foremost challenge confronting the Biden administration. There is scope for the two countries to initiate expert consultation and promote global anti-pandemic cooperation. China and the US previously worked together on SARS, Ebola and other epidemics and accumulated valuable experience for cooperation on global health governance. In the event of US rejoining the WHO and entering the COVAX, China and the US are in the position to collaborate via a multilateral platform on vaccine issues.<sup>39</sup>

Furthermore, improving global economic and trade governance also requires China-US cooperation. In 2019, the US started to promote reform of the WTO and put forward overall suggestions in the 2019 Trade Policy Agenda and 2018 Annual Report. China supports the necessary reform of WTO to enhance the multilateral trading body's authority and effectiveness. On regional multilateral trade architecture, US joining the CPTPP is more or less expected while China expressed interest in CPTPP membership. RCEP, to which China is a signatory, could also expand to include the US. These multilateral avenues could provide the two vying countries a platform where they could jointly contribute to the multilateral rule-making on global and regional trade.

Last but not the least, public crises often prompt calls to review the balance between security development and domestic resources. Amid a pandemic, domestic economic priorities of both US and China offer opportunities for the two countries to cooperate on arms control. For instance, China and the US share the interest of denuclearizing the Korean peninsula while the US-DPRK dialogue fell into deadlock during Trump's tenure. Under the Biden administration, China, DPRK, ROK and the US could potentially carry out four-party talks. In addition, last October, Wang Yi, State Councilor and Foreign Minister, proposed at

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<sup>38</sup> John Kerry delivered a speech on the round table discussion jointly held by Munich Security Conference and CCG, February 14th, 2020.

<sup>39</sup> COVAX is a project co-founded by The Global Alliance for Vaccines and Immunisation (GAVI), World Health Organization (WHO) and The Coalition for Epidemic Preparedness Innovations (CEPI). It is expected to provide 2 billion doses of COVID vaccine to the world before the end of 2021.

the Ministerial Meeting of the UN Security Council on the Situation in the Gulf Region to establish a multilateral dialogue platform for the Gulf Region and launch an inclusive dialogue and comprehensive discussion on regional security. This proposal of China is consistent with the Biden administration's multilateral stance on the Iran nuclear issue, which expands the potential for China-US cooperation.

#### 4. Resumption of People-to-people Exchange

In the past four decades, China and the US shared extensive ties in tourism, culture and education. It was reported at some point that an average of 14,000 visits between China and the US every day, with one flight either taking off or touching down every 17 minutes. Locally, 50 sister states and provinces and 231 sister cities have been established. From 2008 to 2016, the spending of Chinese tourists in the US increased 6 times, reaching nearly \$18.9 billion. China has been the biggest market for US post-secondary education for 10 consecutive years.<sup>40</sup> The one million plus international students enrolled in US colleges and universities contributed nearly \$41 billion to the US economy and supported 458,290 jobs during the 2018-2019 academic year. Further analysis shows that for every seven international students, three US jobs are created or supported.<sup>41</sup> This means that international students from China could've well added around \$13 billion to US GDP.

During the Trump administration, rising populism and xenophobia saw visa policy become stricter. Many scholars, students and even tourists were denied visas based on political identity, course subject, etc. According to data from the Pew Charitable Trust, Chinese students form the biggest group, accounting for about a third of all foreign students. They spent \$13.9 billion on education and related expenses in the US in 2017 – the figure could amount to half of total federal funding for university research last year. Should the US government cut off the flow of Chinese students, the federal government would need to raise additional taxes to fund US science and technology development.<sup>42</sup> According to a think tank report released in June 2020, 27% of top US artificial intelligence talent comes from China. 80% of Chinese STEM PhDs choose to stay in the US. 20% of engineers working in Silicon Valley are Chinese. Without these skilled workers, costs for US companies will increase, and competitiveness may decrease.

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<sup>40</sup> <https://opendoorsdata.org/annual-release/>

<sup>41</sup> <https://www.nafsa.org/about/about-nafsa/new-nafsa-data-despite-stagnant-enrollment>

<sup>42</sup> <https://www.wsj.com/articles/dear-america-a-cold-war-with-china-will-be-expensive-11591094926>

It is widely expected that the incoming administration will adopt a more rational policy toward visa in general and student visa in particular. The US thrived on attracting young minds and educated professionals, its strategy to enhance competitiveness in the 21<sup>st</sup> century will be in vain if cooperative ties on the development of human capital and cutting-edge R&D remain disrupted in today's interconnected world. Scholars, journalists, think tank experts, NGO representatives are all second-track actors helping build dialogue and communication between the two societies. Cross-Pacific exchange among these groups are also expected to be restored under the Biden administration.

In the Biden Era, there is still great uncertainty regarding the development of China-US relations. Great power competition – like that between China and the US – is often rooted in structural factors that are less amenable to propensities of leaders or administrations. Given the political polarization, the Biden administration is more prone to reify the democratic values in international politics than its Republican predecessor. Should the new president fail to put the coronavirus situation under control and recharge growth, or bridge the divide between bitterly opposing social groups, he would resort to which direction in US-China relationship is still an open question.

To be sure, the path toward a peaceful coexistence between China and the US following Biden's win is complex. Nonetheless, the balances and dynamics in US domestic politics and the Biden administration's notable differences in foreign policy orientation from its predecessor's, most prominently the recommitment of the US to multilateralism. This shift is expected to create important windows of opportunity for a reset of US-China relationship in a new direction.

## **Part IV. CCG Recommendations**

The signing of RCEP reflects the commitment of Asia-Pacific countries to support regional free trade amid a pandemic and rising anti-globalization sentiment. The conclusion of the EU-China CAI on Dec. 30, 2020 as promised reaffirms Beijing's determination to enact and implement more economic reforms. These two developments came at a time when globalization was said to be heading for the ICU during the pandemic crisis, which stood to drive up hope and optimism in global trade and investment. As State Councilor and Foreign Minister Wang Yi commented on Biden's election victory, "China-US relationship is reaching

a new crossroads where a possible window of opportunity might be expected.”<sup>43</sup> A stable China-US relationship will be another boon for globalization in which both China and the US take critical part.

To seize this window of opportunity in steering the bilateral relations away from uncharted waters, CCG formulates the following twelve points of policy response.

**1. Resume bilateral high-level, multi-channel dialogue and exchange mechanisms between China and the US in a timely manner.**

As Biden takes office, China and the US should enhance communication and coordination to bring the China-US relationship back to a normal track. First of all, exchange and cooperation at different levels of government shall be restored. China and the US could re-establish high-level dialogue mechanisms. A permanent secretariat of experts could be institutionalized to promote continuous discussions in areas of mutual interest. A China-US-EU trilateral dialogue mechanism would be beneficial for global governance cooperation. Second, non-governmental organizations, including think tanks, can play a greater and more flexible role in stabilizing the bilateral relationship especially in track-two setting. Third, youth exchange programs are important in fostering cultural understanding of the next generation of leaders.

**2. Establish a trilateral dialogue and coordination mechanism including China, the US and Europe, and convene a vaccine summit to promote global cooperation on pandemic control and global economic recovery.**

In times of global crisis, China, the US and the EU, as the world’s three largest economies, share duties and responsibilities for humanity’s sake. A trilateral dialogue mechanism could be formed to help the three powers to forge multilateral consensus on global governance issues, especially on vaccine development and economic recovery.

Although nearly 40 countries have had plans to distribute vaccines to the public, the coverage is still long way from what’s desired or required. The vaccine gap between the global North and South is also of concern as poorer countries face unaffordable costs. At the same time, challenges from insufficiency vaccine manufacturing and distribution capacity also make global access to vaccines a widespread problem.

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<sup>43</sup> Foreign minister WANG Yi: China-US relationship is meeting a new crossroads where a possible window of opportunity might be expected

Biden has committed to supporting the WHO, which opens room for US-China cooperation on pandemic control. China, the US and the EU can propose a global regime to encourage fundraising from governments and large corporations, so as to provide financial support for pandemic surveillance and response. In addition, China, the US and Europe can call for a global vaccine summit in a timely manner under the auspice of the WHO to advance cooperation in vaccine research, production and distribution.

**3. Propose a Global Climate Summit that calls for an expansion of the G7 to G10 to include China, Russia and India.**

Global warming poses a serious threat to humankind in the 21st century. The climate crisis causes great loss of life and property and creates a large number of climate refugees and exacerbates poverty. The Paris accord aims to limit global warming to well below 2, preferably to 1.5 degrees Celsius, compared to pre-industrial levels. In accordance with this goal, many countries have formulated detailed emission reduction targets and measures.

China has also outlined plans to hit peak emissions before 2030 and achieve carbon neutral by 2060. Sharing a commitment to green development, China and the EU agreed in September 2020 on a Green Partnership. Cooperation between the two major economies will help transform the vision of green development into a reality. Furthermore, Washington's return to the Paris Agreement will restore confidence in global multilateral climate governance.

In order to further accelerate carbon reduction and meet the developmental needs of developing countries at the same time, an expansion of the G7 to G10 to include China, Russia and India might be considered. This G10 would include the world's top six carbon emitters and facilitate international multilateral climate cooperation. The expansion would increase the representation of the G7 from 10% of the world's population to 47%.

**4. Explore avenues for the US and China to join the CPTPP, support the WTO modernization agenda, and expand RCEP stakeholders to include the US.**

After the Trump administration withdrew from the TPP, at the end of 2018, the CPTPP - led by Japan, Canada and Australia - came into effect. On November 15, 2020, RCEP was officially signed. These trade arrangements may prompt the US to consider a revisit of the CPTPP.

The RCEP and China-EU CAI have laid a solid foundation for China's accession to CPTPP. China could commit, in bilateral negotiations, to abiding by the rules of CPTPP. China's adherence to CPTPP rules would send a positive signal to the world about its commitment to international trade norms regarding free market, labor rights, and environment. China's accession to CPTPP could also create a new platform for China and the US to resolve trade disputes. If China and the US reach an agreement under the CPTPP framework, this could provide a reference for the reform of the WTO.

As the world's largest free trade agreement, RCEP is poised to create substantial economic opportunities for Asia-Pacific countries. RCEP has the potential to expand its membership to loop in more countries, even the US.

**5. Ease restrictions on market access by both US and Chinese governments. Washington to relax sanctions against Chinese firms such as Huawei, TikTok, Tencent, Alibaba and Xiaomi; Beijing to open its market to American high-tech companies including Google, Twitter and Facebook.**

Technology is a key component in the competition between China and the US. An increasing number of Chinese tech companies have become target of Washington's sanctions and bans. However, thanks to globalization, both Chinese and American companies have deeply intertwined in global value chains and supply chains. US crackdown on Chinese firms harm the interests of US companies.

Lifting restrictions on market access for investments into both China and the US will render substantial benefits. Even though Chinese companies in the US are under tightened scrutiny, China should adhere to its course of opening up. For China, it merits a closer assessment for allowing American tech giants, such as Google, Twitter and Facebook, to operate in the Chinese mainland. For the US, relaxing sanctions on Chinese companies such as Huawei, TikTok, Tencent, Alibaba and Xiaomi, will usher in healthy competition between high-tech groups and accelerate innovation.

**6. Redress the unilateral tariffs levied on Chinese exports to the US, implement the Phase One Trade Deal in full, and accelerate negotiations towards a Phase Two Deal.**

The trade war has dealt a heavy blow to Chinese and American companies. Unilateral imposition of tariffs is not in the interest of either side. The conclusion of the phase one deal was a hard-won achievement. The two sides should make efforts to follow through the agreement and kick off negotiations for phase two.

External pressure can be a positive force in driving domestic economic reforms in China. In the context of US-China trade disputes, the notion of “three zeros” - zero tariff, zero trade barrier and zero subsidy stands to gain traction. A zero-tariff policy would help to reduce trade frictions and create renewed opportunities in sectors such as manufacturing, agriculture, and energy; a zero-barrier policy would support Chinese companies expanding abroad; a zero-subsidy policy would be conducive to reforming state-owned enterprises to make them more competitive.

#### **7. Revive talks on the US-China Bilateral Investment Treaty to facilitate two-way flows of FDI.**

Negotiations on the China-US Bilateral Investment Treaty (BIT) were launched in 2008, but the two sides failed to reach a consensus on market openness, security review and other issues. BIT talks were halted during the Trump era. AmCham China, the advocacy group representing US companies operating in China, argues that a China-US BIT could help to reduce America’s trade deficit and that it would be sensible to complete the agreement sooner than later. Furthermore, the conclusion of the China-EU CAI is a positive precedent for the China-US BIT. China and the US should restart and speed up negotiations, updating the negative list offer and shorten the length of it.

#### **8. Promote China-US infrastructure cooperation via direct financing, greenfield investment, capacity building, and other measures that align with Biden’s infrastructure drive and US energy exports.**

The overhaul of America’s aging infrastructure is on Biden’s agenda with expected costs amounting to \$8.2 trillion by 2030. Trump unveiled a \$1 trillion infrastructure plan. In 2017, Trump and Xi’s summit meeting at Mar-a-Lago yielded a list of cooperation areas, including infrastructure. President Joe Biden has pledged a \$2 trillion climate plan over the next four years. During Trump’s term, the national debt increased by 37% and the amount of quantitative easing reached \$9 trillion. The Biden administration’s infrastructure call will need partners and capital funding.

China has capital resources and experience in both infrastructure and pandemic control. These overlapping needs and capabilities could create new opportunities for bilateral cooperation. Chinese companies and financial institutions are poised to participate in American infrastructure. Sovereign funds can direct private and institutional investors into infrastructure investment opportunities in the US. Chinese enterprises may also explore projects in places such as Alaska and Texas where energy exports are hindered by inadequate transport infrastructure.

Europe's experience with PPP projects can also be a reference for the US. Studies and consultations involving local governments, businesses, and experts from both China and the US can be conducted via agencies at the Ministry of Commerce, the National Development and Reform Commission in partnerships with US counterparts.

#### **9. Engage Washington on the Belt and Road Initiative within a framework of multilateral cooperation on infrastructure development financing**

Since its inception more than seven years ago, the Belt and Road Initiative has been transformed from an idea into action and from a vision into reality. It has become one of the world's largest platforms for international cooperation. Yet there is still more space for the BRI to be more inclusive. China could align and cooperate with the Blue Dot Network initiative proposed by the US at a suitable time and cooperate with third-parties to jointly expand cooperation in third markets.

The Asian Infrastructure Investment Bank (AIIB), as a multilateral infrastructure financing agency, is in the position to work with other key lending institutions such as the World Bank, Asian Development Bank, European Bank for Reconstruction and Development, the European Investment Bank, the Islamic Development Bank, African Development Bank, and the Inter-American Development Bank for financing BRI projects.

As an emerging creditor country, China lacks long-term experience in external debt risk control. China could consider joining the Paris Club, a regular communication mechanism for major creditor countries, and build international trust by following international lending rules for transparent, viable, and sustainable lending. This will help prevent external debt risks facing China and safeguard global financial stability.

#### **10. Strengthen ties between Chinese and American subnational governments to tap into local forces supporting increased engagement between both countries.**

China and the US have established 50 sister provinces and more than 200 sister cities since the establishment of diplomatic relations in 1979. American state governments have 27 representative offices in China, more than in any other country. In America, state governments have great autonomy and are responsible for attracting foreign investment. Therefore, even though China-US relations have deteriorated rapidly during Trump's presidency, some progress has been made in exchange and cooperation between Chinese and US local governments. Delegates from many US state governments have visited China amidst the trade war and pandemic.

In the coming four years, local governments in the US, as important stakeholders and facilitators of foreign policy, can play an important role in improving China-US relations. For one thing, cooperation at the local level directly benefits more small-and-medium-sized enterprises and enables more people to share the benefits of bilateral economic and trade development. For another, the political leadership of local governments in the US is more stable than that of the federal government and has a stronger motivation to maintain bilateral relations, with less concern for geopolitical competition.

Therefore, China and the US should attach more importance to leveraging the positive role of local governments in bilateral relations to solidify the China-US relationship. This could include strengthening interaction at the local level by holding an annual China-US Governors' Forum and develop infrastructure investment deals.

#### **11. Re-open non-governmental and cultural bilateral exchange between scholars, journalists and students and restore positive momentum in education cooperation.**

People-to-people exchange, one of the most flourishing aspects of the China-US relationship, contributes much to a sound and stable bilateral relationship. However, the visa restrictions imposed on Chinese students and visitors during the Trump administration led to a partial "cultural decoupling."

To promote cultural and people-to-people exchange, China and the US should make joint efforts in the following areas: First, unblock exchanges of journalists and promote news coverage that is neutral and fact-based; second, resume people-to-people exchange between the two countries; thirdly, protect rights of visitors and students who enter the countries legally and abide by the laws; lastly, encourage and support exchanges between

Chinese and American think tanks to allow for uninterrupted track-two communication channels to be in place.

With political goodwill on both sides, people-to-people exchanges should be market-oriented. China and the US could seek more cooperation in the field of service trade including tourism, overseas study, study tours and skilled migration, to formulate closer bilateral relations and balance the trade gap.

**12. Revisit the merits of multi-party talks on regional security issues such as the Iran nuclear deal and nuclear proliferation on the Korean peninsula, and promote economic cooperation in the Asia-Pacific region.**

China-US cooperation on nuclear safety was once a solid point of consensus. In the last four years, the Korean Nuclear Issue has reached an impasse after three meetings between Donald Trump and Kim Jong-un. Nuclear concerns have been intensified by the withdrawal of the US from the Iranian Nuclear Deal. The Biden administration is expected to be more rational and pragmatic on nuclear safety issues, and more prone to engage its allies and partners on security issues such as Iran and DPRK.

Biden has also said that multilateral cooperation with China and South Korea is key to resolving the North Korean nuclear issue. When the Six-Party Talks failed, China proposed stepping up diplomatic efforts to facilitate a Four-Party Talk format with the US and South Korea. The US and DPRK could restart dialogue in due course, and China and the US can also enhance political dialogue and build trust mutual trust in mediating the North Korean issue. On the Iranian Nuclear Issue, China can coordinate with the European Union and stakeholders in the Middle East to promote peace talks between the US and Iran, thus easing the threat of nuclear terrorism and promoting denuclearization of the Middle East.

In addition, the US aims to build a four-nation military alliance in the Indo-Pacific with Japan, India and Australia. However, India tends to emphasize economic rather than military cooperation. In this context, China and the US could strengthen economic cooperation in the Asia-Pacific region based on deeper cooperation between China and India. China could consider joining a dialogue mechanism to jointly discuss regional economic and trade cooperation, so as to expand the scope of cooperation and enhance mutual understanding and trust.

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