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Deconstructing US-China Competition

The "Roaring Twenties" of International Relations



Contents

U.S. Strategic Adversary against China: Competitive Cooperation vs Confrontation

Zhao Yangchun

03

Competing with US Dollar-based Payment Systems

Zhang Chao

08

Cover Story

13

Introduction

On the etymology and epistemology of an oxymoron term: cooperative/ collaborative competition

- i. Different forms of competition: constructive, benign, malign competition
- ii. Inflation of the "C"s – collaboration, cooperation, competition, containment, and confrontation
- iii. What are the major theaters of competition (military, soft power, financial, regional)?

Who sets the rules for “rules-based international order”?

- i. What is the rules-based international order?
- ii. From “Pivot to Asia” to “America is back”

Will the 2020s be the “Roaring Twenties” of international relations?

- i. Restructuring international/resetting US-China relations
- ii. Accommodating China’s peaceful rise in a competitive global setting

Conclusion



U.S. Strategic Adversary against China: Competitive Cooperation vs Confrontation

About
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The current U.S. strategic rivalry against China arose against the backdrop of China's rapid development as well as America's attempt to maintain its hegemonic position in the world. The Trump administration's call for "decoupling" has turned the U.S. strategic rivalry policy against China into a kind of strategic confrontation.

President Joe Biden has increased the ideological overtones of the U.S. rivalry policy vis-a-vis China since he took office, arguing that China's rapid rise will become the greatest challenge to U.S. global leadership and that the competition between the two countries is no longer a battle merely for global economic and trade dominance, but a monumental confrontation between different political systems and development paths. A highly competitive relationship between the United States and China may very well be the new normal in the future.

The Interim National Security Strategic Guidance released by the White House on March 3, 2021, clearly positions the bilateral relationship as a "strategic competition" and admits that the U.S. national security objective is to strengthen its own power and unite with its allies to ensure an ultimate victory.

On April 21, the Senate Committee on Foreign Relations passed a draft of the Strategic Competition Act of 2021 by an overwhelming bipartisan vote, clearly stating that the

only rival of the United States is the People's Republic of China and that the "great rejuvenation of the Chinese nation" essentially reveals China's intention to establish a "regional hegemony" and to become the "leading world power."

The bill authorizes the U.S. government to launch full-scale competitive confrontation with China.

The strategic competition between major powers can generally be categorized into two parts: the first being competition for national power, which is reflected in areas such as national interests, geopolitics, development space, economy, science and technology, and military and resources; and the second is about national governance, such as systems of institutional arrangements, development models and ways of living, which are mainly about competition over governance, political and economic performances at a technical level.

In the 21st century, the rise of emerging economies and developing countries like China and other groups of countries has fundamentally disrupted the long-standing dominance of Western nations in the international political and economic "landscape" since the first Industrial Revolution. Such a development has defined the nature of today's competition between the United States and China which bears characteristics not seen in the previous world power competitions. In other words, the current round of competition is, in essence, more about economic power and governance capabilities. As former US Secretary of State Henry Kissinger once pointed out, "the crucial competition between the United States and China is more likely to be economic and social than military."

For the foreseeable future, the competition between the U.S. and China is expected to be characterized by the following features: the Sino-U.S. economic and trade relations have shifted from a "stabilizer" to a focus of rivalry for both nations; the Sino-U.S. competition in science and technology has today become even fiercer; the competition over international mechanisms and development models has become more pronounced, and ideological differences are being played up to exert increasing influence on the bilateral relationship.

Judging from its policies on China, the Biden administration is still committed to pitting against the world's second largest economy in the areas of economy, security,

diplomacy, human rights, intellectual property rights and global governance, with substantial competition in high-tech fields, such as quantum computing, artificial intelligence, semiconductors, robotics, new energy, biotechnology and advanced materials.



(Source: China Daily)

Although Biden personally disapproves of the Trump administration's trade war against China, he is tough on issues such as the U.S. trade deficit with China, market access, intellectual property rights, the RMB exchange rate and subsidies for state-owned enterprises, and has not abandoned Trump administration's paradoxical “principle of reciprocity.”

However, the Biden administration approaches the competition against China in a fairly different way compared with how the Trump administration dealt with the matter.

Domestically, the Biden administration pays more attention to maintaining and enhancing America’s competitiveness, seeking to win the competition through revitalization and development, namely increasing investment in scientific research, launching industrial policies and improving infrastructures, among other efforts.

Internationally, the Biden administration has stressed more on uniting allies and following international protocols. It seeks cooperation with allies in terms of technology control, investment restrictions, ideology and national security and also applies multilateral mechanisms to establish and modify international rules, thereby, proactively escalating competition against China.

Even though the Biden administration has continued the strategy to compete with China and has, to some extent, intensified the competition, its emphasis on “smart competition” and call for less “hard confrontation” will help control the cost incurred by competition for both countries, thus avoiding a “lose-lose” scenario.

It is important to note that currently the U.S. is politically and socially divided to a great degree and that the extreme right, led by former president Donald Trump, still yields enormous influence on the American electorate. The Biden administration still faces many constraints in formulating its China policy for it has become “politically correct” to remain “tough on China”, which is also a consensus shared across the aisle.

Especially at the time when the U.S. is slated to hold midterm elections in 2022, and the Democrats, who hold merely a razor thin margin in the Senate and a slim advantage in the House of Representatives, need to curry favor with conservative electorate in order to hold political control of both houses of Congress, the Biden administration is expected to continue its hard line in rivaling with China and may adopt a more aggressive attitude towards China.

On June 3, 2021, Biden signed an executive order with respect to “the threat posed by the military-industrial complex of the People’s Republic of China,” blacklisting 59 Chinese companies, such as Huawei, the Semiconductor Manufacturing International Corporation (SMIC) and China Aerospace Science and Technology Corporation, prohibiting them from making investment transactions with U.S. persons and companies.

Five days later, the U.S. Senate overwhelmingly passed the U.S. Innovation and Competition Act of 2021, which aims to invest more than USD200 billion in American technology, science and research, therefore racing with China and countering China’s growing global influence with strategic, economic, diplomatic and technological means.



(Source: scmp.com)

With the conclusion of the 47th G7 leaders’ summit meeting held in the UK, the Biden administration is likely to continue its efforts on competing with China, and the Sino-U.S. strategic competition is expected to be strained under more uncertainties.

It is undeniable that while the United States tries to compete fiercely against China in areas such as state power and governance models, both countries continue to cooperate in preventing proliferation of weapons of mass destruction, countering terrorism, addressing climate change and infectious diseases and maintaining the stability of the international financial system, based on their respective interests.

Former U.S. Treasury Secretary Larry H. Summers once said, “It’s of two individuals who have a long and tangled past with each other with some good and not so good memories who find themselves in a lifeboat in a turbulent sea, a long way from shore... both need to row and to row in unison...”

Laura Rosenberger, senior director for China at the U.S. National Security Council, recently said one aspect of the U.S. policy towards China was "countering China where we need to and cooperating with China where it is in our interest to do so. We think this is how we can manage competition in a way that will prevent us from moving into conflict but that will allow us to maximize cooperation.”

In this sense, whether the U.S. will choose cooperative competition or escalate competition to confrontation against China depends not only on the time and trend of various aspects but also on the strategic intentions of both nations.



(Source: China Daily)

Competing with US Dollar-based Payment Systems

About
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The world economy is being dominated by the US dollar as it maintains its status as the global reserve currency. However, the financial world is another arena where the competition is intensifying between different currencies, including yet-to-be issued official digital versions. As the Trump administration's instinctive and ever-changing policies shocked the financial world during his tenure at the White House, the other major players of the global financial system have stepped up their search for an alternative in earnest. While the European financial actors are seriously contemplating to break the monopoly of Mastercard and Visa in payment systems and eliminate reliance on the US dollar, which they say is a matter of sovereignty, those who are on the eastern shores such as Russia and China, and their major financial institutions, are thinking about ways to create alternatives to SWIFT.

Taihe Institute's fellow Zhang Chao has answered some critical questions about the issue:

1. Is there a compelling reason or need for a US-dollar free payment system?

China, Russia, and the rest of the world outside the U.S. deserve a clearing and settlement system that no longer uses the US dollar. All countries other than the US need a clearing and settlement system that does not rely on the dollar, in order to

provide growth opportunities for individual nations and to free the global economy from the US dollar's control. It is the fair and reasonable solution to an outdated system that has put too many eggs in one basket.

2. What would it require to create an alternative system and how long would it take?

A replacement system would require the interconnection and unification of the various international currency clearing and settlement systems.

Technically speaking, the system could be set up quickly; it is not difficult in terms of information technology. A conservative estimate is that the technical issues could be solved in six to 12 months. The greater challenge lies in the politics of such change as international political consensus is notoriously a slippery agenda. Consensus within the European Union has, historically, been difficult to achieve, but it would represent an excellent example of commitment to the rest of the world if it were achieved.



(Source: Unsplash.com)

Political obstacles notwithstanding, I believe the EU would like to see the Euro join a new unified clearing system to break away from the US dollar dominance and create a level playing field.

3. What could be the possible stages of such a transition?

SWIFT is currently the leading provider of secure financial messaging used to transfer money between different banking locations. SWIFT is not a clearing and settlement system, but rather, a unified network for messaging transactions around the world. Every currency has its own clearing and settlement system. SWIFT functions as the main clearing and settlement system for the US dollar, but China also has a clearing and settlement system for the RMB.

To replace SWIFT and get rid of the dollar control, a new and universal clearing and settlement system should be first created based on international system unification. Once that has been realized, a commonly recognized messaging network would need to be adopted.

4. There is skepticism about the prospect of an alternative global system. Overall, how feasible is it and what are the pros and cons?

I am sure it is possible to build per se. What needs to be calculated and endorsed are the economic and political costs and responsibilities of creating a global clearing and settlement structure and replacing SWIFT.

Countries that currently use the dollar as a reserve currency would be affected if the currency is over-issued. An excessive supply of the US dollar causes foreign exchange reserves to shrink in dollar-holding countries and their wealth is reduced at no cost to the U.S. Treasury.



(Source: 6park.com)

The latest data shows that the US dollar's share of the global reserve currency has dropped from a high of over 70% in 1995 to less than 60% today. The International Monetary Fund's (IMF) "Currency Composition of the Official Foreign Exchange Reserves (COFER)," released on March 31 of this year, shows that claims in the U.S. dollar declined by 2.8 percent in 2020.

If the lost wealth is more than the political and economic costs of creating a system, there will be a strong international move to create a system to replace SWIFT, leaving only technical issues to be sorted out. Therefore, it is a matter of doing and monitoring a cost-benefit analysis.

5. How about the Euro aspirations? Does the EU also consider moving away from a dollar-controlled payment system?

One reason for a decline in US dollar representation in global reserves is that countries have sought to diversify their currency holding to reduce their exposure to the dollar. The launch of the Euro in 1999 played a significant role in the attractiveness of expanding the mix of national currency reserves, as did increasing confidence in the RMB. As I said, I believe EU officials would ideally trust this trend and free the Euro from US dollar dominance.

Europe's inclination in this regard was catalyzed by policy divergences created between the U.S. and its allies during the Trump administration. Germany's move to repatriate gold from the Federal Reserve further indicated that Europe wishes to disengage from the U.S. dollar, and in July 2020, major European banks teamed up to launch the European Payments Initiative aiming to create a unified Europe-wide clearance and settlement system.

6. Russia's Deputy Foreign Minister Alexander Pankin said Russia is working on creating an alternative to SWIFT and that modern fintech solutions can be applied to break the US monopoly in interbank payment and information transmission.

The mechanics of building new fintech is relatively straightforward and fast.



(Source: russiabusinesstoday.com)

When the U.S. kicked Iran out of SWIFT, the latter had to deal with risks to its national security, people's livelihood, and foreign relations. China and Russia could similarly be adversely affected by the dollar's international dominance. Costs of reserving dollars has risen due to various factors. It is coming to a point where China, Russia and other emerging economies would be best served by their own unified clearance and settlement system. The British pound and the Japanese yen may not join in but if Europe participates, it would draw in more countries and the de-dollarization of international financial markets would be complete.



(Source: TIO)

Deconstructing Competition in US-China Relations

1. Introduction



(Source: HKU)

International relations have entered a new stage in the first quarter of the 21st century as China has continued its development in many areas from economic growth to taking a long-term residence in space without being hampered by the global pandemic and a chorus of negative voices in the West and that the Biden administration has taken office at the White House.

While the geopolitical attention focused on the end of the Cold War and a new world order after the demise of the former Soviet Union in the last decade of the 20th century, the question which arises now is what is the post of the post-Cold War? International and big power relations were thrown into a chaos by Trump administration policies. However, with the Biden administration taking a more structured yet confrontational and competitive approach towards Beijing, all eyes are

now on what would follow from here and how to restructure international relations in a way to accommodate a rising power.

The problem preoccupying the minds of Western policymakers is how to contain the peaceful rise of China. The issue seems to be confusing their thinking as they float conflicting concepts and oxymorons in search of a new US national security strategy. Can there be such a thing as collaborative competition? Does Washington have to be in the position of setting the rules of the game or should China show more constructive leadership on the matter? What does a rule-based international order look like? How successful have treaties and accords been in preventing conflicts in the past?



(Source: information-age.com)

As competition is at the core of the capitalist market economy and considered the engine of progress by the West, the Western economies with the US in particular should have no concerns about healthy competition with China. Ditto, they would not interfere with the capitalist principle of competition dynamics taking their own course within a framework of peaceful coexistence. Beijing could only welcome such a scenario.

Problems with a rules-based capitalist competitive model arise when it is used beyond its parameters by either party to seek advantage in the broader global agenda by way of claiming status above others, threat making, and dictating power outcomes. This is competition breaking the rules and exposing dangerous hypocrisy in international relations.

There is a shortage of definition of competition especially in international relations.

It can be described as two actors trying to maximize their gains or multiply their objectives often at the expense of the other although it is not inherently a zero-sum game. However, interestingly enough, the main actor of international relations, states can also achieve such goals through cooperation, which is why TI Observer analyzed both concepts, cooperation and competition, in-depth over three issues.

In this issue, TI Observer delves into several areas where the two major powers are expected to compete. Competition can come in many varieties and in diverse ways. It will be a multitude of competitions rather than one singular strategic competition. And future generations will be the judge of how successful today's governments were able to overcome their hesitations and qualms to create an improved world order. In the meantime, whether those who engage in competition can out-compete each other is another matter. After all, even China's elephants baffle scientists.

2. On the etymology and epistemology of an oxymoron term: cooperative/collaborative competition

In international politics, the term “competition” connotes a state of divergent behaviors that reflect conflicting interests. Competition could be strategic: a “goal-seeking behavior that strives to reduce the gains available to others.”¹ More specifically, it is “a state of antagonistic relations between actors, which reflect the perceived contention, an effort to gain mutual advantage, and pursuit of some outcome or good that is not generally available.”²

Regardless of how its definition varies in different fields, competition is often perceived within a zero-sum orthodoxy. This conventional conceptualization is a fallacy, however, as the term can be constructed positively—that is, as part of a relationship of collaboration or cooperation. To distinguish between collaborative and cooperative competition we may consult some supporting literature, especially given the negative nature of competition and the positive nature of the two modifiers.

1 Helen Milner, “Review: International Theories of Cooperation: Strengths and Weaknesses,” *World Politics*, Vol. 44, No. 3 (April 1992): 466-496.

2 Michael J. Mazarr, Jonathan S. Blake, Abigail Casey, Tim McDonald, Stephanie Pezard, Michael Spirtas, “Understanding the Emerging Era of International Competition: Theoretical and Historical Perspectives,” CA: RAND Corporation, 2018, https://www.rand.org/pubs/research_reports/RR2726.html.

Cooperation is holistically derived from the late Latin “cooperation,” or “com” (together) plus “operati” (to work) which laterally means “working together.”³ Salvato et al note that “cooperation” itself stems from the Latin cum operare, meaning “operating together with others,” while “collaboration” is derived from the Latin cum laborare meaning “working together with others.”⁴



(Source: ospar.org)

Since the basic origins of the two terms provide no clearly demarcated boundary in the political context (operating vs working), we might turn to the context of business for more workable definitions. Here, cooperation means the division of responsibilities among players in order to achieve a solution to a problem, while collaboration signifies a coordinated, synchronous action aimed at constructing and maintaining a shared conception of a problem in order to solve it.⁵ Cooperation is thus process-based, while collaboration is goal-based. This suggests that cooperative competition might be understood as disagreement occurring within the process of achieving a common goal (i.e., conflicting approaches toward a global order), while collaborative competition might be understood as disagreement over the goal itself (i.e., who will lead the global order).

³ Douglas, Harper, Online Etymology Dictionary, <https://www.etymonline.com/>

⁴ Carlo Salvato, Jeffrey Reuer, and Pierpaolo Battigalli, “Cooperation Across Disciplines: A Multilevel Perspective On Cooperative Behavior In Governing Interfirm Relations,” *The Academy of Management Annals* 11(2).

⁵ Lynn Power, “Collaboration vs. Cooperation. There Is a Difference,” *Huffpost*, June 06, 2017, https://www.huffpost.com/entry/collaboration-vs-cooperat_b_10324418.



(Source: Unsplash.com)

In the context of the present US-China relationship, both cooperative and collaborative competition are in full swing, and indeed they go hand in hand. Both the US and China are striving for an orderly world for all despite diverging political, economic, and cultural behaviors (i.e, democracy vs communism, free-market vs hybrid free-market, and individualism vs Confucianism). Their cooperative competition is reflected in their differing responses to the North Korean and Iranian nuclear crises, the ASEAN crises (especially the political crises in Cambodia, Myanmar, Thailand, and the Philippines), the combat against climate change, the Israel-Palestine conflict, and many other issues; all of these responses intended to secure the common goal of stable global order. However, their collaborative competition lies in the assertion of whose leadership in such global order constructed by cooperative competition. The US, especially under the new administration, seeks to maintain the global order it created in the 1990s. In his campaign speeches, President Joe Biden made reassurances that he would put everything back how it was.⁶ The US-construed world order promotes certain principles it wants to be followed by other members of the international community regardless of whether those members agree with them or not.⁷ More importantly, the U.S. violates those principles occasionally as in the case of international trade openness. China, meanwhile, calls for⁸ an international order based on these five principles of peaceful co-existence: 1) respect for sovereignty and territorial integrity, 2) non-aggression, 3) non-interference in others' internal affairs, 4) equality and mutual benefit, and 5) peaceful coexistence.⁹ Achieving these goals for the global order on their respective terms requires that the US and China take approaches that occasionally conflict.

6 Jen Kirby, "Joe Biden Wants to Restore the Pre-Trump World Order," Vox, July 11, 2019 <https://www.vox.com/world/2019/7/11/20690243/joe-biden-foreign-policy-speech-new-york-trump>.

7 Ikenberry, "The Future of the Liberal World Order."

8 Ministry of Foreign Affairs of the People's Republic of China, "Build a new international order on the basis of the Five Principles of Peaceful Coexistence."

9 Ministry of Foreign Affairs of China, 'The Five Principles of Peaceful Coexistence – the time-tested guideline of China's policy with neighbours.'

2.1 Different Forms of Competition, Constructive, Benign, Malign Competition



(Source: Online)

The idea of competition in the international relations discipline is closely associated with the theory of realism. The main argument is that power is the most decisive determinant in the relations between separate political communities. Due to the lack of an overarching authority capable of enforcing agreements, countries are motivated to seek what Kenneth Waltz dubbed “self-help” since implications of anarchy—the possibility that the potential adversaries will cheat on agreements—require states to constantly approach one another with a certain mixture of ambivalence and suspicion.¹⁰ As such, competition can generally be understood as a state when a global power strives to maximize its relative advantage vis-à-vis another major power in the system. This dynamic is well encapsulated in the definition offered by political scientist Helen Milner who describes competition as a “goal-seeking behavior that strives to reduce the gains available to others.”¹¹

Competition is therefore not the same as conflict, which oftentimes refers to a struggle between parties with opposing objectives, values, or beliefs that will in turn lead to outright military confrontation or warfare. Yet, there must be some degree of perceived or measurable contention involved, especially when an established power encounters a rising power. However, the level or the intensity of antagonism or

¹⁰ Charles L. Glaser, “Realists as Optimists: Cooperation as Self-Help,” *International Security* 19, no. 3 (1994-1995): 50.

¹¹ Helen Milner, “International Theories of Cooperation Among Nations: Strengths and Weaknesses,” *World Politics* 44, no. 3 (1992), 468.

hostility between the two powers in a competition is not subject to any standard or scale and thus can vary significantly. Accordingly, while competition tends to involve the pursuit of some degree of relative success to others, competitive situations do not have to be zero-sum, and competitive behavior is not necessarily characterized by seeking relative advantage by injuring other parties.



(Source: ScientificAmerican)

In this context, competition can come in many varieties and the outcome of competition may vary significantly based on the emphasis states place on the hierarchy of objectives that they hope to achieve through competitive motions. In better understanding the forms of competition, Professor Jia Qingguo from Peking University categorizes competition into two broad categories. The first one is “malign competition.”¹² According to Jia, states engage in malign competition with an objective to undermine rather than outperform the other. The essence here is to preserve the status quo by undermining any challenger and cutting down any rival, or potential rivals, before they can topple the established power from the king of the hill position. Towards this end, there will be a lot of emphasis on using military force and economic power in the form of sanctions. What happened between the Soviet Union and the United States during the Cold War offers a case in point. Another example is the US-China competition under the Trump administration. Under Trump’s policy initiatives, Jia argues, the two countries were bound in a “lose-lose competition” when they hurt each other by economic, political, and diplomatic means, rendering cooperation a near impossibility on nearly any front, even concerning the COVID-19 global pandemic.¹³

12 Qingguo Jia, “Malign or benign? China-US strategic competition under Biden,” East Asia Forum, last modified March 28, 2021, last accessed May 28, 2021, <https://www.eastasiaforum.org/2021/03/28/malign-or-benign-china-us-strategic-competition-under-biden/>.

13 Ibid.



(Source: Parallax)

The second one is “benign competition.”¹⁴ As Jia points out, although competitive elements remain dominant in this paradigm, benign competition will generate positive effects in a way that spurs both countries to do better for the benefit of the world in areas of mutual concern. In other words, the main issue to be addressed is the way in which the dominant power’s preeminence can be used to transform the world to co-opt its potential rivals by sharing and coordinating.

Correspondingly, scholar Wu Zhenglong identifies five fundamental factors that constitute benign competition in the current global environment. Among them, two specifically stand out. First, competition should be governed by internationally recognized rules. Second, although it is only natural for major powers to have disputes, they should strive to solve the issues at hand through dialogue, communicate on equal footing, and work together for win-win results that benefit the people as a whole rather than resort to coercive measures by abusing political, economic, and diplomatic capital.¹⁵

From all appearances thus far, the Biden administration does not believe that the hawkish approach employed by the previous administration will serve American

14 Qingguo Jia, “Dealing with a China that’s not like us,” East Asia Forum, last modified March 29, 2021, last accessed May 28, 2021, <https://www.eastasiaforum.org/2021/03/29/dealing-with-a-china-thats-not-like-us/>.

15 Zhenglong Wu, “Benign Competition: It’s a Good Thing,” China-US Focus, last modified January 7, 2020, last accessed May 28, 2021, <https://www.chinausfocus.com/foreign-policy/benign-competition-its-a-good-thing>.

interests. This has been confirmed by Kurt Campbell, the U.S. coordinator for Indo-Pacific affairs on the National Security Council, on May 27, 2021, when he remarked, “our goal is to make that a stable, peaceful competition that brings out the best in us.”¹⁶ Hence, whether the United States and China can manage to achieve a benign competition remains to be seen. Yet, there is reason to believe that the two countries can handle this dynamic constructively without leading to a conflict.

2.2 Inflation of the "C"s – collaboration, cooperation, competition, containment, and confrontation



(Source: stanford.edu)

As the tensions between the United States and China have heightened, there have been numerous buzzwords thrown around by media, think tank figures, and analysts when discussing the potential developments in the relationship between the two countries. There is frequent usage of adversarial terminology, including “competition”, “containment”, and “confrontation”. On the other hand, sometimes more optimistic language is employed, including expressions such as “collaboration” and “cooperation.” In some cases, such as “strategic competition” and “collaborative competition”, these terms are mixed together, representing the paradoxical nature of U.S. policy towards China. Ultimately, the frequent use of each of these terms hinders diplomatic progress and affects mutual trust.

While each country is entitled to pursue its development and interests, the U.S. and China should commit themselves to clear, unambiguous policies that clearly define and distinguish the features of the "C"s so that meaningful progress can be achieved.

¹⁶ Sumnathi Bala, “The U.S.-China rivalry could be constructive, doesn't have to end in conflict, expert says,” CNBC, last modified May 28, 2021, last accessed May 28, 2021, <https://www.cnbc.com/2021/05/28/us-china-competition-does-not-have-to-end-in-conflict-expert-says.html>.

Regarding bilateral relations, the current U.S. approach features two other "C"s – containment and confrontation, which highlight that the U.S.'s focus is on the maintenance of hegemony in the global order. Using "containment" and "confrontation", the U.S. has an objective beyond asserting its dominance in the international order, and its actions sometimes suggest that the objective is not just to compete with China, but to delegitimize and destabilize China's Communist Party.¹⁷



(Source: *businesstoday.in*)

Additionally, it is with these terms that the U.S. is attempting to restrict China, using its allies and a system of what it calls "shared values." In recent years, the "Indo-Pacific" has emerged as a theater of competition between China, the U.S., and regional states.¹⁸ Gradually, this has evolved into the current situation in which the U.S., Australia, India, and Japan – commonly referred to as the Quad – have taken positions against China. The nature of affairs in the region has led to several confrontations and escalations of tensions between Washington and Beijing. The U.S.'s contradictory policy in the region was at display again. It has conducted numerous so-called "freedom of navigation" exercises in the South China Sea region, but then protests Chinese naval activities in the region, when both are entitled to navigation

¹⁷ Andy Zelleke, "What Is the End Game of US-China Competition?," *The Diplomat*, November 3, 2020, <https://thediplomat.com/2020/11/what-is-the-end-game-of-us-china-competition/>.

¹⁸ Kai He and Mingjiang Li, "Understanding the dynamics of the Indo-Pacific: US-China strategic competition, regional actors, and beyond," *International Affairs* 96.1 (2020): 1-7.

in international waters, claiming that these activities threaten the sovereignty of other regional states.

Through the lens of these "C"s it has become apparent that the use of rhetoric has destabilized the course of diplomatic communications. Utilizing these trendy terms is highly unproductive, and instead, mainly allows the U.S. to rally domestic support and the support of its allies against China. Even in the fields where true cooperation between China and the U.S. is achievable, the insertion of these terms weakens the possibility of cooperation and increases mistrust. The focus seems to be on promoting supremacy instead of equality, limiting the possibility for a mutual commitment to both normalizing relations and other "C"s such as "cooperation" and "collaboration."

2.3 What are the major theaters of competition (military, soft power, financial, regional)?

As the U.S. and China spar over maintaining or restructuring the international order, the two countries have come head-to-head in numerous areas, including military and defense issues, trade and global influence. These fields are all intertwined, further complicating the process of deescalating tensions.

With the U.S. and China representing the two largest economies in the world, the political and economic reach of both countries truly spans the globe, meaning that there are opportunities for competition and confrontation in many corners of the world if things are allowed to go out of control. With respect to military competition, one of the hottest regions in which the U.S. and China have come face-to-face is in Southeast Asia. In this region, the U.S.'s objective is to encourage regional countries to partner with the U.S. on major issues.¹⁹

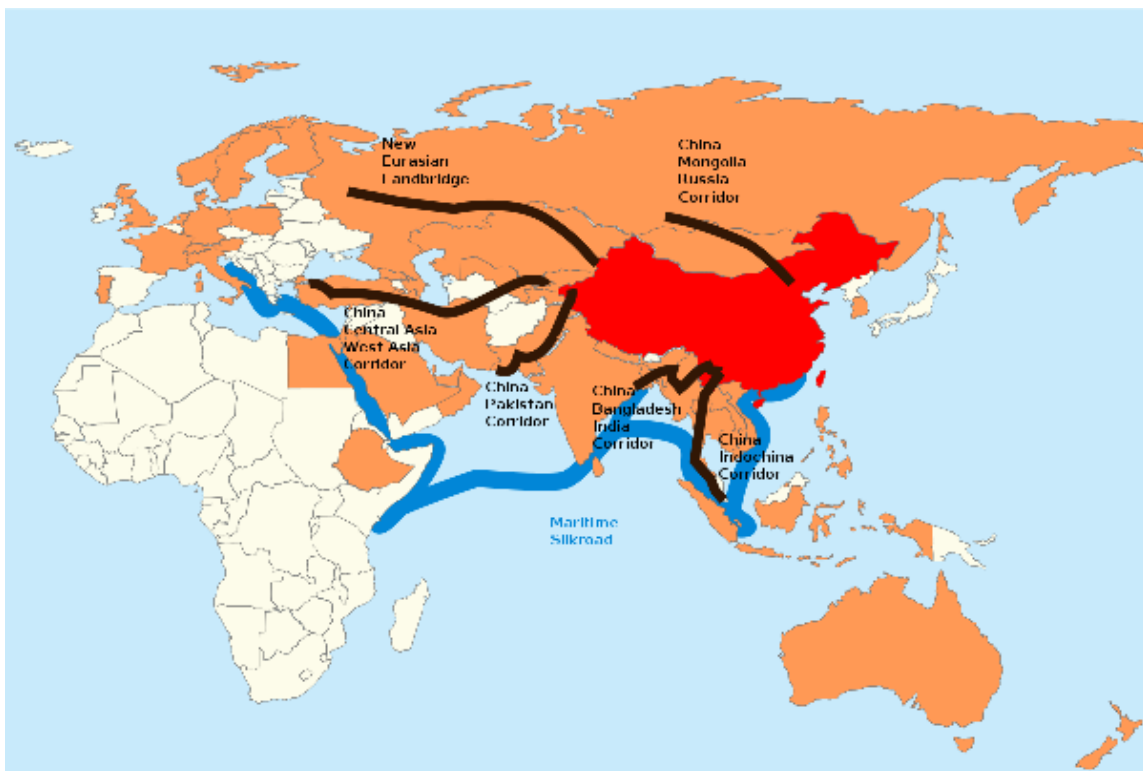
China has expanded its global reach through its flagship Belt and Road Initiative, which the U.S. criticizes on different grounds.²⁰ Many countries signed on to the Belt and Road Initiative strengthening their relations with China. The U.S. has pushed several initiatives in an attempt to provide countries with an alternative and counter China's influence. Most recently, during the 47th G7 summit, the Group of Seven unveiled the 'Clean Green Initiative' which was specifically designed to compete

19 Bonny Lin, Michael S. Chase, Jonah Blank, Cortez A. Cooper III, Derek Grossman, Scott W. Harold, Jennifer D.P. Moroney, Lyle J. Morris, Logan Ma, Paul Orner, Alice Shih, and Soo Kim, "U.S. Versus Chinese Powers of Persuasion: Does the United States or China Have More Influence in the Indo-Pacific Region?," CA: RAND Corporation, 2020, https://www.rand.org/pubs/research_briefs/RB10137.html.

20 Andrew Chatzky and James McBride, "China's Massive Belt and Road Initiative," Council on Foreign Relations, January 28, 2020, <https://www.cfr.org/backgrounder/chinas-massive-belt-and-road-initiative>.

with China's Belt and Road Initiative.²¹ The Clean Green Initiative builds upon the principles established through the Blue Dot Network, an infrastructure initiative launched in 2019 by the U.S., Australia and Japan.

The existence of competing programs – the Clean Green Initiative versus the Belt and Road Initiative – also underscores the importance of soft power in the competition between the U.S. and China. Founded by the G7, this infrastructure project forces countries to choose between a Western-backed project and China's project. The Clean Green Initiative, like the Blue Dot Network, promotes itself as an alternative to the Belt and Road Initiative, claiming having different environmental, transparency and investment standards.²² Depending on which option countries select, they are subscribing to a series of procedures and standards, which will lead them to gravitate towards either the U.S. or China, thus increasing competition.



(Source: wikipedia)

21 Dominic Fitzsimmons, "Will G7 Green Initiative Have More Climate Cred than China's BRI?," Al Jazeera, June 11, 2021, <https://www.aljazeera.com/economy/2021/6/11/will-g7-green-initiative-have-more-climate-cred-than-chinas-bri>.

22 Alberto Nardelli, "G-7 Set to Back Green Rival to China's Belt and Road Program," Bloomberg, June 11, 2021, <https://www.bloomberg.com/news/articles/2021-06-01/g-7-set-to-back-green-rival-to-china-s-belt-and-road-program>.

3. Who sets the rules for “rules-based international order”?



(Source: UN.org)

The “rules-based international order” translates as the “liberal-leaning” world order that has been promoted by the Western victors of the Second World War (WWII) since 1945 and has provided a mutually agreed framework for international relations ever since. During the opening remarks of the recent frosty Alaska meeting between the U.S. and China, U.S. Secretary of State Antony Blinken noted how the new administration wanted to “advance the interests of the United States and to strengthen the rules-based international order.”²³ To emphasize this, Blinken told Chinese officials that the U.S. has no interest in changing its foreign policy. By bringing this up so early, he set a downbeat scene for talks due to take place later in the year.

One of the problems with the rules-based code is that it seems to work for the victorious Western powers who drew it up, but it takes little account of the emerging powers of the East who feel squeezed out of the “club”. Who is the real judge to say whether China or the United States is following this order? Even in the years before the rise of Trump, the U.S. had been criticizing China for its policies and allegedly breaching the “rules”. But what are these rules?

There is no clear consensus and no charter. One takeaway from official UK statements is “promoting peace and prosperity through security and economic integration; encouraging predictable behaviour by states; and supporting peaceful settlement of disputes. It also encourages states, and a wide range of non-state actors, to create the conditions for open markets, the rule of law, democratic participation and

²³ Secretary Antony J. Blinken, National Security Advisor Jake Sullivan, Director Yang And State Councilor Wang At the Top of Their Meeting, U.S. Department of State, March 18, 2021, <https://www.state.gov/secretary-antony-j-blinken-national-security-advisor-jake-sullivan-chinese-director-of-the-office-of-the-central-commission-for-foreign-affairs-yang-jiechi-and-chinese-state-councilor-wang-yi-at-th/>

accountability.”²⁴ But China, a nation that hits most of these criteria, is excluded from this order. Why? China’s rise may not fit into the “predictable behaviour” section as many were not prepared for a resurgent PRC.



(Source: doc-research.org)

Similarly, the 1944 Bretton Woods conference, officially known as the United Nations Monetary and Finance Conference, did help open markets²⁵ but the world has long since moved on. Seventy-seven years on, the composition of the world’s largest economies has changed. So have the systemic actors and the nature of the international system. “The aggregate gross domestic product (GDP) of G7 member states makes up about 45 percent of the global economy in nominal terms [in 2019], down from nearly 70 percent three decades ago.”²⁶

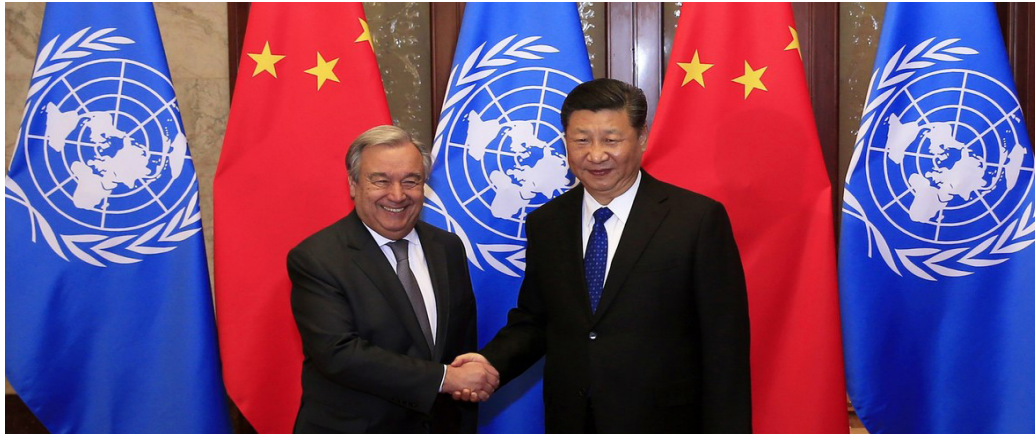
The fact is that the current “rules-based international order” doesn’t take in the rise of countries like China, showing its flaws. It was drawn up at a time of reconstruction in western Europe in response to the destruction of WWII and the rise of the Soviet Union. However, the welcoming in of Russia and China, after they adapted the western principles of market economics (in China’s case) or reform and openness, glasnost and perestroika, (in Russia’s case) have not yielded the results America may have been looking for, as China is now the world’s second largest economy

24 British Embassy Seoul, Rules Based International System Conference, Crown Copy write, 25 January 2018, <https://www.gov.uk/government/news/rules-based-international-system-conference>

25 Jeffrey Cimmino, Matthew Kroneig, “Strategic context: The rules-based international system,” Atlantic Council, December 16 2020, <https://www.atlanticcouncil.org/content-series/atlantic-council-strategy-paper-series/strategic-context-the-rules-based-international-system/>

26 CFR.org editors, “Where is the G7 headed?” Last updated, June 14, 2021, <https://www.cfr.org/background/where-g7-headed>

and Russia has gone its own way for better or worse. The U.S. has responded with sanctions, a tool often used for what the proponents of the so-called “rules-based



(Source: UN.org)

international order” see as the breach of rules. But such sanctions may have only helped make the average Russian poorer²⁷ via restricting foreign investment, while hardly weakening the Putin administration. Similarly, sanctions have even had effects such as accelerating China’s activities in space where China has been barred from the International Space Station, something which has prompted Beijing to launch its own space platform into orbit.²⁸ Russia, for context, was included tentatively into the international order until 2003 corruption charges, and then fully excluded with the annexation of Crimea in 2014.

The question is whether the “liberal alliance” is capable of drawing up any new rules to counter a rising country either now, or in the future. And what does the future hold for Washington and its allies who set up this order and force through sanctions? There is evidence that as the world economy becomes ever more intertwined, the U.S. will, more and more, be victim of its own economic bullying. Even as far back as 1995, the U.S. sanctions may have reduced U.S. exports to 26 target countries by as much as \$15 billion to \$19 billion.²⁹ This figure is much higher today. Furthermore, U.S. policy experts say that while economic sanctions have a slight effect, they are unable to yield the kind of results Washington may be seeking such as a regime change,³⁰ On

27 Chris Miller, Russians Lower Their Standards, Foreign Policy, February 11 2019, <https://foreignpolicy.com/2019/02/11/russians-lower-their-standards/>

28 Brantly Womack, China’s Space Program Suggests Decoupling Won’t Work Like the US Hopes, The Diplomat, December 16 2020, <https://thediplomat.com/2020/12/chinas-space-program-suggests-decoupling-wont-work-like-the-us-hopes/>

29 Gary Clyde Hufbauer, US Economic Sanctions: Their Impact on Trade, Jobs, and Wages, April 1997, Peterson Institute for International Economics, <https://www.piie.com/publications/working-papers/us-economic-sanctions-their-impact-trade-jobs-and-wages>

30 Murat Sofuoglu, Melis Alemdar, Have US-imposed sanctions ever worked? TRTWorld, 24 September 2018, <https://www.trtworld.com/magazine/have-us-imposed-sanctions-ever-worked-20428>

the science front, it locks out cooperation with other space-faring nations and does not necessarily portray a good image of the U.S.

It would not be an overstatement to say that many nations, and sometimes even the UN, break international order in their own ways. Many events that are unrelated, happened for different reasons and are far away from each other, such as forcing down international flights, are prime examples of what many perceive to be the break-down of this so-called international order. However, multilateralism, espoused by China, shows that there is some urge by both East and West to have some kind of order and universal rule. Yet, too many countries are bending these rules day by day.

Even as strong condemnations are exchanged, the virtues of multilateralism are still promoted by all parties. China has been very vocal on the topic in response to various allegations by the Western bloc.³¹ That being said, the current British government has been extremely critical of China yet still wants to expand trade with the PRC and promote multilateralism itself within the framework of the “rules-based international system”.³² Governments can agree on multilateralism more easily and avoid all-out conflict with one another. It is unlikely that the rules-based international order will break down, but it will probably continue to wax and wane in effectiveness as administrations change with elections and public mood.



(Source: yougov.co.uk)

Chatham House, a UK based think tank, notes that a prime example of this is the

31 Walt, Stephen M., "China Wants a 'Rules-Based International Order,' too," Foreign Policy, March 31, 2021, <https://foreignpolicy.com/2021/03/31/china-wants-a-rules-based-international-order-too/>

32 British Embassy Seoul, Ibid.

diminution of America’s reputation after the 2003 Iraq War.³³

3.1 What is the rules-based international order?

International relations theorist John Ikenberry interprets the rules-based world order as a fusion of two distinct order-building projects. The first one is the 1648 Westphalian system that emphasized the sovereignty of modern states and the principle of territorial integrity. The second one is the liberal order, which came into being with the ascendancy of western democracies in the post-World War II era under the Atlantic Charter, featuring elements of openness, global commons, cooperative security, progressive change, collective problem solving, and the rule of law. According to Ikenberry, the Westphalian system laid the groundwork for the liberal order on which it developed and has become more liberal over time.³⁴ Under this definition, the rules-based order can be understood as a reformed vision of the world system after 1945, where sovereign states cooperate for mutual gains and protection within a global space governed by international institutions on the basis of prescribed norms and rules.



(Source: Internationalrelations.org)

While this interpretation offers one view of the rules-based international order, it should be noted that the liberal order was originally not a global order. For the principles enshrined in the Atlantic Charter were designed as part of a larger geopolitical project of waging the Cold War and were signed only by Western powers

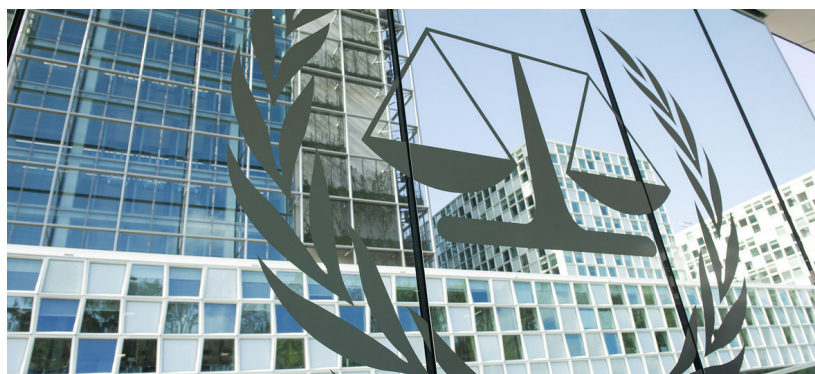
33 The Royal Institute of International Affairs, "Challenges to the Rules-Based International Order," Chatham House, 2015, <https://www.chathamhouse.org/sites/default/files/London%20Conference%202015%20-%20Background%20Papers.pdf>

34 G. John Ikenberry, "Preface," in *Liberal Leviathan: The Origins, Crisis, and Transformation of the American World Order* (Princeton: Princeton University Press, 2011), xi-xvii.

in the Atlantic region. Furthermore, although the United Nations Charter functioned as the basis for the postwar order that was agreed by, more or less, all the countries, it was largely based on the Westphalian principles rather than the principles the Western powers upheld after 1945.

As Chinese scholar Zheng Yongnian pointed out, the creation of a “liberal world order” and its maintenance relied heavily on the existence of another order led by the Soviet Union that was “non-liberal.”³⁵ This means that the liberal order was built around institutions, bargains, and political purposes that were tied exclusively to the West under the American leadership in the struggle against communism. In other words, within the Cold War configuration, the liberal order was established for reinforcing the capacity of western democracies to pursue security and prosperity.

With the dismantling of the Cold War strategic framework following the collapse of the Soviet Union, this “internal” order then began to expand outwards, and the western ideological vision was advanced and legitimized under the auspices of the United States worldwide. Thus, the rules-based order was essentially an American-led security community in which liberal democracies, under the leadership of the U.S., worked collectively to build a global space that emphasized certain western values. However, the central focus of this order was American hegemony, which means that the international system has become more tied to an American-led political order where the U.S. serves as its sole, hegemonic sponsor. Accordingly, as put forth by Ikenberry, the American political system has been “fused to the evolving and deepening postwar liberal order,” meaning that the order, though global, has been dominated by the U.S. and had, to some extent, reflected the US’s own interests.³⁶



(Source: UN.org)

“It is Western democracies rather than...non-Western or rising powers that have been the ‘revisionist’ powers during this [immediate post-Cold War] period,” especially with the creation of the International Criminal Court (ICC) and the ideas such as

35 Zheng Yongnian: a liberal world order or a multi-polar world order?, Last modified, July, 19, 2019, last accessed May 30, 2021. https://www.guancha.cn/ZhengYongNian/2019_07_20_510212_1.shtml.

36 G. John Ikenberry, “The end of liberal international order?” *International Affairs* 94, no. 1 (2018), 15.

“responsibility to protect,” and “humanitarian intervention,” commented Hans Kundnani, a senior research fellow at Chatham House.³⁷

As such, there exists some tensions within the concept of the rules-based order. On the one hand, state sovereignty constitutes the “bedrock,” or the core, of the contemporary rules-based order. On the other, the postwar innovations such as the alleged “post-sovereign society” that legitimizes external interventions in other sovereign states’ internal affairs have tarnished the principles of the Westphalian system in important and controversial ways.

Therefore, Western and non-Western countries have often different perceptions concerning what a rules-based order should mean or ought to be like. As Kundnani pointed out, for many western powers, the post-Cold War world order demands that states must be obedient to liberal principles in foreign policy. Nevertheless, many outside the West tend to emphasize the Westphalian elements of the order and argue that the world should operate by the professionalism and neutrality of the United Nations where states behave in accordance with agreed rules that evolve over time.³⁸



(Source: International Law Group)

For example, Chairwoman of the Foreign Affairs Committee of the Chinese National People’s Congress Fu Ying said in her speech delivered to the 2016 Munich Security Conference that the rules-based order perceived by the West could be interpreted as “Pax Americana.” That is, the order is sustained by three pillars: the American or Western values, the US-led security alliance, and the UN system. China upholds this world order. But it should be clarified that by “order,” China means specifically the third pillar, namely China supports a UN-oriented rules-based order rather than an

³⁷ Hans Kundnani, “What is the Liberal International Order?” German Marshall Fund of the United States, last modified, May 3, 2017, last accessed, May 30, 2021. <https://www.gmfus.org/publications/what-liberal-international-order>.

³⁸ Ibid.

US-led system run solely by the American values. While there may be areas where the two overlap, they are by no means the same.³⁹

3.2 From “Pivot to Asia” to “America is back”

The U.S. administrations have come up with various strategies and doctrines to counter China’s influence and position in Asia. From the Obama Administration’s “Pivot to East Asia” strategy to the Biden administration’s “America is Back”, the focal point has always been to contain China. Under Obama, the US military was to start redeployment from the Middle East to East Asia for the same purpose. Redeployment of military personnel is an arduous task as it will require retraining of soldiers, new battle plans and a corresponding budget while still covering, say, anti-terror missions in the Middle East and protecting vital oil lanes. Furthermore, the winning of hearts and minds in Asia after the high number of American casualties in Vietnam, along with poor public relations in places like Okinawa, Japan, may prove to be difficult, and the “liberal order” may not be easily welcomed back into the region on the contrary to the administrations’ calculations. In each of the “Pivot to East Asia” strategy goals, “the White House got slapped down,” said a US think tank report.⁴⁰



(Source: biznews.com)

Obama’s pivot was followed by Trump’s “America First” isolationism and then Biden’s “America is Back”. It hasn’t been that long since the Alaskan dialogue, yet the 47th G7 summit, held in Cornwall, the UK, June 11-13, 2021, has exposed a different and rather hostile mood.

Despite the photo-ops, the G7 remains divided over Brexit, trade and Northern Ireland.⁴¹ China’s response to the G7 final communique was that “the days when global decisions were dictated by a small group of countries are long gone.”⁴²

39 Fu Ying, The US-led world order has never really accepted China, last modified July 8, 2016, last accessed, May 30, 2021. <https://opinion.huanqiu.com/article/9CaKrnJWmnp>.

40 Victor Cha, “The Unfinished Legacy of Obama’s Pivot to Asia”, Sept 6, 2016, <https://foreignpolicy.com/2016/09/06/the-unfinished-legacy-of-obamas-pivot-to-asia/>

41 Deborah Haynes, G7 a chance to renew US-UK ties, but it won't be all smiles and friendly elbow bumps, Sky News, 10 June 2021, <https://news.sky.com/story/g7-a-chance-to-renew-us-uk-ties-but-it-wont-be-all-smiles-and-friendly-elbow-bumps-12328926>

42 G7 summit: China says small groups do not rule the world, BBC, June 13, 2021, <https://www.bbc.com/news/world-asia-china-57458822>

Once the pandemic retreats into the background of news coverage, there might be a “Roaring Twenties” of international relations. China is currently letting the West make its next move, but neither does it appear to be shifting on the biggest elements of contention. For example, the South China Sea, which has seen another rise in tension, is soon to be the location of a controversial mission from the backers of the “rules-based order” to sail though as a “freedom of navigation” mission. This will merely antagonize and continue this frosty period of international relations longer than it needs to be. The U.S. is in the Hollywood sense, but will this investment in “America is Back” and move against China give us something more akin to “The Terminator” instead of a brighter united future?

4. Will the 2020s be the “Roaring Twenties” of International Relations?

About a century ago in the decade termed the “Roaring Twenties”, 1920s, that is, the western world, primarily the United States, witnessed a flourishing of economic growth driven by widespread mass consumerism, cultural renaissance, and rapid urbanization. F. Scott Fitzgerald’s 1925 novel, *The Great Gatsby*, accurately portrays a glimpse of the gaudy and decadent nature of American socialites, where the Jazz Age, Prohibition, and first-wave feminist movement predominated. President Harding, having just taken office after an American victory in the First World War, struggled to implement disarmament and non-intervention policies, while also addressing the domestic concerns of big business, labor unions, civil rights, and immigration.



(Source: Unsplash.com)

On the other side of the world, despite much anxiety in the Western countries over

it, a new alliance based on the ideologies of Communism was being forged between the Soviet Union and China. The Soviet Union spearheaded by Vladimir Lenin had just transformed the country from a feudal empire to a socialist state, and in the same manner, the Chinese Communist Party trekked out to replace the divided country of powerful warlords with a centralized reunified China. In short, the 1920s were a decade of massive social, economic, cultural and political change.

In this same light, a century later, the 2020s decade has seen similar radical shifts in socio-economic, political, and cultural norms. Specifically, The U.S, and the West in general, has created a “China problem” for itself, which they feel they have to counter. This rather superficial threat they perceive has paved the way for the 21st century competition, spilling over to a number of areas from trade disputes to technological innovation race to onshoring and the so-called decoupling, impacting US-China relations.

Meanwhile, the COVID-19 pandemic and health crisis has deepened the cracks already so entrenched in society, such as economic, educational, racial, and gender inequalities. The previous U.S. administration under President Trump only assisted in making these divides more established, pandering to political populism and cultural nativism sentiments. Conversely, China’s President Xi Jinping has advocated a rejuvenation of Chinese traditions and culture that mixes with the country’s aspirations for a peaceful rise. Programs such as the Belt and Road Initiative seek to promote cooperation and dialogue between partner countries, contributing to better international relations.

Therefore, looking at both the 1920s and the 2020s, one can draw a comparison between the two decades, both of which have experienced massive changes in global structures. Although the current decade is still in flux with a new Biden administration taking office and situations beginning to slowly normalize, the “Roaring Twenties” of the 21st century has already left its footprint on international relations. The rise of China is not destined to slow any time soon, and the U.S. approach to Sino relations in the modern century is only in its nascent years. Consequently, dilemmas arise on how exactly to maneuver U.S.-China relations, accounting for both China’s peaceful rise as well as America’s conviction for a western liberal order. Regardless of the end result of this decade, the transformation of international relation structures will be monumental.

4.1 Restructuring international/resetting US-China relations

The international system is currently dominated by the bilateral dynamics between the U.S. and China as the once-a-unipolar world order is currently under restructure and is transitioning to a multipolar one. The international system comprises of a number of elements such as its actors, norms and patterns, and a change in any of them affects the whole system. The current international system is moving beyond its usual boundaries and China is surely the main factor driving this shift.

There is also a close inter-relationship between the changing international order and the US-China relations, which has created a paradigm shift in bilateral ties. The future of China’s ties with the rest of international community, the U.S. in particular, has potential to turn the 2020s into the “Roaring Twenties” of international relations as that future is in the making in these very ‘20s we live through which stand as the defining moment.

A historical allusion shows that China and the U.S. first forged links in investment and trade, which resulted in the two nations becoming dependent on one another for a range of goods and products. Throughout the recent years, the most significant partner in trading goods with the U.S. was China, which generated about USD560 billion in bilateral trade in 2020.⁴³ This partnership has benefited both sides, contributing to the development of particular economic sectors while creating interdependent relationships. Nevertheless, the economic partnership has had its setbacks and challenges, too.



However, the diplomatic relations maintained a steady development until former US President Donald Trump took office in 2017. The Trump administration’s decisions in a number of areas which were clearly aimed at China marred the bilateral relations. Among such decisions are trade tariff against some Chinese exports to the U.S.⁴⁴ and

43 United States Census Bureau, “Trade in Goods with China,” <https://www.census.gov/foreign-trade/balance/c5700.html>

44 The White House, “Statement from President Donald J. Trump on Additional Proposed Section 301 Remedies,” <https://trumpwhitehouse.archives.gov/briefings-statements/statement-president-donald-j-trump-additional-proposed-section-301-remedies/>

a ban on Chinese high-tech companies such as Huawei and ZTE.⁴⁵

In 2020, the Trump administration also tried to ban popular Chinese social media platforms WeChat, owned by Tencent Holdings, and TikTok by ByteDance⁴⁶ as well as 57 other Chinese mobile apps,⁴⁷ citing so-called user privacy and other concerns.



(Source: cnn.com)

Those steps by the Trump administration was followed by its accusations against China about the origins and spread of COVID-19.⁴⁸

Following the Democrats’ victory in the 2020 U.S. presidential election, Chinese leader Xi Jinping sent a message to Biden expressing his hope that “two sides will uphold the spirit of non-conflict, non-confrontation, mutual respect and win-win cooperation.”⁴⁹

With a new administration at the White House, China has made continued efforts to

45 The United States Department of Commerce, “Department of Commerce Announces the Addition of Huawei Technologies Co. Ltd. to the Entity List,” <https://2017-2021.commerce.gov/news/press-releases/2019/05/department-commerce-announces-addition-huawei-technologies-co-ltd.html>

46 Reuters, “U.S. Justice Department seeks to delay appeals on WeChat, TikTok restrictions,” <https://www.reuters.com/article/us-usa-biden-wechat-idUSKBN2AB2KX>

47 Federal Register, “Addressing the Threat Posed by WeChat, and Taking Additional Steps To Address the National Emergency With Respect to the Information and Communications Technology and Services Supply Chain,” <https://www.federalregister.gov/documents/2020/08/11/2020-17700/addressing-the-threat-posed-by-wechat-and-taking-additional-steps-to-address-the-national-emergency>

48 The United States Embassy in Italy, “Remarks by President Trump to the 75th Session of the United Nations General Assembly, September 22, 2020.” <https://it.usembassy.gov/remarks-by-president-trump-to-the-75th-session-of-the-united-nations-general-assembly-september-22-2020/>

49 Ministry of Foreign Affairs of the People’s Republic of China. “Xi congratulates Biden on election as U.S. president,” https://www.fmprc.gov.cn/mfa_eng/zxxx_662805/t1835557.shtml

mend bilateral relations fractured by the Trump administration. However, such efforts to rebuild trust between the two countries were met with negative response on the part of some U.S. circles who are hostile to China and see Beijing as a threat to American hegemony and supremacy in international affairs.

In response, China asked the U.S. to respect its fundamental interests and refrain from harming the reputation of the Communist Party of China (CCP). It also asked Washington to remove the trade tariffs on some imports from China.

Although Biden is currently more focused on getting Washington’s allies behind the U.S. efforts to counter China, restructuring in U.S.-China relations will be on his agenda. President Xi’s communication with President Biden suggests that efforts to mend the relations will continue despite negative and confrontational rhetoric coming out of Washington. While China awaits progress, many influential voices within the country have speculated about the future of the relations between the two countries.



Fu Ying (Source: Yahoo News)

Fu Ying, a former ambassador and vice foreign minister of China, said, “even if competition between China and the United States is unavoidable, it needs to be managed well, cooperatively.” In a New York Times piece, she said the USA and China should address each other’s concerns.⁵⁰ “It is possible for the two countries to develop a relationship of “coopetition” (cooperation + competition) by addressing each other’s concerns,” said Fu Ying, who is also a vice chairwoman of the Foreign Affairs Committee of the 13th National People’s Congress. The two nations should adhere to and go along with rules and laws in the fields of technology and economics

⁵⁰ The New York Times, “Cooperative Competition Is Possible Between China and the U.S.,” <https://www.nytimes.com/2020/11/24/opinion/china-us-biden.html>

to resolve the related issues. Fu Ying also suggested “the two militaries should talk at the strategic level in order to build mechanisms to effectively manage potential crises and find other ways to coexist peacefully” and to avoid any misunderstandings and unexpected conflicts.

Such proposals at a time of increasingly competitive relations between Beijing and Washington project a positive approach and outlook on the part of China. However, any intention or initiative to reset the bilateral relations could still be highly challenging and will demand direct actions not only from China, but the U.S., in particular, as the party which has led to the deterioration of the bilateral relations over the course of past few years. The Biden administration shows on every occasion that it is set for a confrontational stance towards China, which will surely set the Beijing-Washington relations on a difficult course in the coming years unless the U.S. resets itself to finding more peaceful ways to accommodate China.

4.2 Accommodating China’s peaceful rise in a competitive global setting



(Source: [hireright.com](https://www.hireright.com))

The U.S. and China both have vested interests in maintaining a multilaterally and globally beneficial economic order and incentivizing openness among other nations. However, within such a context, an established superpower such as the U.S. must be willing to adapt to the changing international system by modifying or altering its strategies. An emerging superpower power like China also needs to further familiarize

itself with the rules and structure of international system.

China’s non-confrontational rise and ambitions for a community of common destiny for mankind need recognition on an international scale. This strategy allows Chinese society and state to effectively liaise with the global community.

After all, China’s approach to the concept of “competition” in bilateral relations is different than that of the proponents of this concept, namely the Biden administration in the United States. After all, the whole Chinese international relations philosophy is based on the concept of “harmony”, a stark difference from that of the U.S.

A closer look at some economic data shows China’s role and importance in and peaceful approach to inter-state relations. China has established itself as some countries’ largest trading partner. It represents the biggest export market for Japan, replacing the USA. Indeed, trade between the two nations has grown from USD1 billion to USD317 billion in 45 years. In 2020, Japan invested USD11.3 billion into China. China is now established as the most significant and largest export market for South East Asia. Some countries like Indonesia, the Philippines, and Malaysia export to China substantially. For example, Malaysia’s total exports to China in 2020 made up 16.2% of its total GDP. More importantly, ASEAN has become China’s largest trading partner, with the total volume of trade between the two reaching USD731.9 billion in 2020, a 7% growth year-on-year despite the shadow COVID-19 has cast on international trade.⁵¹



(Source: globaltrademag.com)

51 Global Times, “ASEAN becomes China's largest trading partner in 2020, with 7% growth,” January 14, 2021, <https://www.globaltimes.cn/page/202101/1212785.shtml>.

China has also emerged as the biggest trading partner of the European Union, surpassing the U.S. to take this position in 2020⁵² as the total trade volume hit USD585 billion in 2020, while the US lagged behind, with just \$555 billion of trade with the EU last year. Due to global demand for Chinese goods, the Chinese economy recorded growth in 2020 despite the restrictions imposed by the global pandemic on international trade. China's share of global trade increased further last year, reaching nearly 15%. In Q1 2021, China's trade recovered from the previous year's negative impact, as its exports surged by almost 50% year-over-year, to about \$710 billion.⁵³

The China-Africa Development Fund has facilitated and paved the way for substantial Chinese investment in Africa. The fund was formed in 2007 to assist and incentivize companies to invest in Africa. It aims to aid Africa and help it overcome its issues as it develops. The fund, which the China Development Bank runs, concentrates on developing the continent and enhancing its competitiveness internationally. To date, the fund has used \$5 billion on mineral and infrastructure projects in its first batch of a funding package, which will be followed by further packages.

All these initiatives taken by China point to a far peaceful approach to foster cooperation and better economic ties with countries from Asia, Europe, and Africa. The Belt and Road Initiative has so far made investments amounting to \$575 billion into plans to build major infrastructure projects that are aimed at directly connecting nations from Europe, Asia and Africa, with major economic hubs across the continents. However, as direct competition with the established superpower, the U.S., seems to be inevitable due to the policies of various White House administrations, China will have to make policy and strategy choices while keeping strengthening its ties with developing nations to build partnerships that can rise above any type of conflict and confrontation. This would ensure China avoids the so called Thucydides Trap⁵⁴ and attain a long term peaceful rise.



(Source: CGTN)

52 European Commission, “Client and Supplier Countries of the EU27 in Merchandise Trade,” https://trade.ec.europa.eu/doclib/docs/2006/september/tradoc_122530.pdf.

53 Robert Grosse, Jonas Gamso and Roy C. Nelson, “China's Rise, World Order, and the Implications for International Business,” *Management International Review* volume 61, (2021):1-26, <https://doi.org/10.1007/s11575-020-00433-8>.

54 A term coined by Harvard Kennedy School professor and political scientist Graham Allison to describe the historical tendency and likelihood of war when a great power's position as hegemon is threatened by an emerging power.

5. Conclusion

The future orientation of US - China relations emerges as the defining moment in international relations as we are approaching the end of the first quarter of the 21st century. It will be determinant for the international affairs of possibly the next couple of quarters of the century, to say the least. The future generations will judge today's decision-makers for their decisions and choices. That is why the relations between Beijing and Washington continue to be a hot topic of discussion not only in diplomatic circles, but also the media, academia, business circles and public. Naysayers will say that this has always been the case, but this time it feels a little different. During our times of crisis, the way that global leaders have approached critical issues is starker than ever. From COVID-19 to climate change, many in the political classes have returned to traditional home comforts of nationalist and protectionist sentiments. Cooperative and collaborative competition is the slightly contradictory phrase that many use to describe modern-day US-China relations. However, a closer look in this edition of the Taihe Institute Observer identifies the far more nuanced and complex US-China relationship of today.

In the major theatres of competition, there are mixed messages. The two nations collaborate in international organizations, while confronting in Alaska. They cooperate in climate change mitigation, while containing fleets in the South China Sea. These forms of competition, be it constructive, benign or malign, are growing exponentially.

Only some days ago, Iceland saw its first volcanic eruption in over 900 years. Sat on the faultline of the Eurasian and North American tectonic plates, a sudden jolt of the slowly drifting continents is all it took for the dormant lava to rise to the surface. This act of nature has the geologists puzzled. Like volcanic eruptions, present-day US-China relations often raise more questions than answers.

Who has the competitive edge? Who sets the rules for the international order? Are the odds stacked in your favor? The TI Observer has highlighted the key areas of concern including military, soft power, financial and technological competition. The rules-based international order may yet need to be modernized to be relevant to 'the new normal'. There is no easy answer to such questions. However, the clamor to be a part of the rule-making institutions may be the defining action of the decade and set precedent for generations to come.

Nonetheless, great potential awaits those willing to collaborate. The Roaring Twenties of the 20th century signaled a farewell to the era of crisis and prompted a warm embrace towards productivity and prosperity. In order to replicate such a feat in the modern globalized world, China will be key to unlocking a dawn of sustainable economic growth.

In order to reach such a “peaceful international environment”, China will require a far more influential seat at the table. The question remains of whether others will accept such accommodation of China in the competitive international setting. Calls for a resetting and cooling-off period in order to improve US-China relations may become louder.

What was once friendly competition, may be on the path to becoming ever fiercer. The Roaring Twenties could become a decade of rising temperatures and escalating measures. A sudden jolt towards either continent could erupt into something far bigger. Unlike volcanoes, it is in humanity’s power to articulate clear visions for mutual benefit and avoid diplomatic flare-ups.



(Source: Businessnews)

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