

U.S.-China Strategic Competition: Implications for Asian Geoeconomics

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U.S.-China Strategic Competition

- ▶ U.S.-China relationship at an inflection point: from engagement to what? “All-out competition” or “responsible competition”?
- ▶ Bilateral economic relationship and interdependence links throughout the world economy are increasingly viewed through lenses of national security. Hedging against vulnerabilities and dominance in frontier technologies are more central concerns to the great powers.
- ▶ Debate in U.S. regarding China policy has shifted significantly in recent years. From the “China shock” (impact of imports from China on U.S. factory jobs) to China’s ambitions to achieve self-sufficiency in high tech sectors and the implications of civil-military fusion.
- ▶ U.S. is not pursuing wholesale decoupling, but technological fragmentation is already happening.

Economic security in American statecraft

- ▶ U.S. policy increasingly influenced by fusion of economics and national security. Twin goals of protecting critical technology, infrastructure, supply chains AND promoting

Tools:

- ▶ Tariffs (232, 301). Misused and ineffective
- ▶ Inward investment screening. Enhanced authorities for CFIUS
- ▶ Export controls. Entity list, Emerging Technologies, restricting China's access to advanced chips for AI and supercomputing
- ▶ Supply chain resilience: friendshoring and onshoring
- ▶ Industrial policy: Science and Chips Act
- ▶ More to come: export controls on other technologies, outbound investment screening

Indo-Pacific Economic Framework (IPEF)

- ▶ Biden administration deems traditional FTAs outdated and has not expressed an interest in joining the CPTPP
- ▶ Instead, it launched IPEF negotiations with 13 other nations that represent close to 40% of world GDP.
- ▶ IPEF consists of 4 pillars: resilient trade, supply chain resilience, green infrastructure, and tax and anti-corruption
- ▶ Does not comprise market access negotiations, unlikely to have an enforcement mechanism, will not be subject to Congressional ratification
- ▶ What are the U.S. objectives in IPEF objectives?
 - Economic track of its Indo-Pacific strategy
 - Disseminate standards on labor, environment, digital economy, etc. Develop novel approaches to pressing issues: e.g. supply chain crisis management
 - Offer an alternative to China's regional integration push. China will not be invited

IPEF is a platform to engage economically with the region and compete with China. But it faces serious limitations

A roadmap to mitigate decoupling

- ▶ Rescuing trade multilateralism: WTO reform (disciplines and dispute settlement mechanism)
- ▶ Delivering for the global South: pandemic response, food and energy security, debt sustainability, climate change mitigation
- ▶ Supply chain crisis management
- ▶ A floor and guardrails to the U.S.-China relationship