

ASG Analysis: What to Expect from a Biden Administration on China Policy

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This is one of a series of ASG Analysis pieces exploring the implications of a Biden administration across some of the most important policy areas for international business. In this piece, we discuss what to expect from the Biden administration's approach to China policy. Future pieces will explore issues such as technology policy, global trade, and climate change. Find a brief primer on the U.S. presidential transition process [here](#).

Key Takeaways

- Competition and tension with China will remain heightened in 2021, but we expect both sides will work to manage the current level of toxicity in the relationship.
- The Biden administration will view Beijing as a rival, competitor, and in some contexts an adversary, but will likely seek to engage Beijing on issues including future pandemic control and preparedness, global economic revitalization, non-proliferation, and climate change.
- As President, Biden's approach to China will be more predictable, transparent, and coordinated than President Trump's. This is a change but will not lead to a wholesale reset.

What to Expect from a Biden Administration?

Trade policy review and more coordination with allies. The new administration may seek to recalibrate some of the tariffs, export controls, sanctions, and technology-related restrictions enacted over the past four years, but there will be no early or full removal of these policy tools. Biden's planned nomination of Katherine Tai, a well-respected trade lawyer and experienced U.S. government trade negotiator, as U.S. Trade Representative ensures that the administration will hit the ground running on the full range of trade issues it faces, including the need to make trade policy more U.S. worker-friendly. Any fine-tuning of trade policy implementation, however, will be predicated on careful coordination with U.S. allies and partners, primarily in Europe and Asia. This shift from unilateralism to coordination on China policies will be one of the most noticeable changes in the new Biden administration.

Unclear future for Phase One trade deal. Whether the Phase One agreement, including its purchase commitments, will remain intact is unclear since many on the Biden team during the campaign labeled it a failure. The new administration is likely to maintain at least some of the formal mechanisms for bilateral interaction established by the agreement. Further negotiations, however, are not likely to be framed in "Phase Two" terms. Structural issues like industrial subsidies, discriminatory cybersecurity and data

regulations, forced technology transfer, and IP theft will remain front and center, but there will be no rush to resume the pre-Trump plethora of formal “dialogues.”

Continued policy focus on Xinjiang, Hong Kong, Taiwan, and Tibet. President-elect Biden intends to push multilateral bodies to maintain a spotlight on Beijing’s treatment of Uyghurs and the autonomy of Hong Kong. We expect him to fully implement the Hong Kong Human Rights and Democracy Act and the Hong Kong Autonomy Act. We do not expect a softening of U.S. policy or approach to Taiwan, but neither do we anticipate provocative moves to walk away from a “One China” policy.

Domestic competitiveness as a central component of China policy. The incoming Biden administration will frame U.S. policy promoting domestic competitiveness as a core component of its China policy. It will cast domestic investments in basic research, infrastructure, and education not only as job creators but as a response to the imperative for the U.S. to compete more effectively with China.

Narrower and more strategic approach to decoupling. The Biden team has maintained that some decoupling from China is inevitable and even desirable, while recognizing that the two economies remain deeply intertwined and co-dependent. His team is aware that much of the current push for decoupling fails to account for the extent of bilateral integration, including in areas like pharma R&D. Still, we are likely to see a continued push for more diversification away from China to reduce vulnerabilities to U.S. supply chains and for national security reasons. Foreign companies will need to stay closely coordinated with trade associations and industry groups as Biden’s China policies take shape.

Uncertainty about Chinese company access to U.S. capital and financial flows. Awaiting President Trump’s signature is a bill (passed by the House on December 2 and Senate on May 20) that would prohibit securities from being listed on any U.S. exchange or OTC market if the preparation of the company’s financial audit report has not been made available to the U.S. Public Company Accounting Oversight Board (PCAOB) for inspection or investigation. Chinese regulations and laws now prohibit such inspection or investigation. Companies that are currently listed but fail to comply would be forced to de-list after three “non-inspection” years. If for some reason the President does not sign the bill or vetoes it, then the two chambers would need to pass the bill again in the next Congress. The new delisting rules have broad bipartisan support, and any move by Biden on the issue short of these or similar measures would have to be linked to concessions from China. Action by the Chinese government to resolve this issue could lead to an early “win” for U.S.-China relations in 2021, if Beijing wants to demonstrate good will with the new administration.

How Will China Respond?

No expectation of a major shift or sudden improvement. Exhausted by the trade war and an ongoing barrage of U.S. sanctions and rhetorical attacks, many of China’s leaders greeted Biden’s election with some relief. There is no expectation that Biden will adopt a softer approach towards China, but there is an understanding that he will be more strategic, alliance-focused, and patient. China’s leaders, government officials, as well as some members of the business community and general public increasingly view the U.S. and China as locked in a long-term rivalry.

Focus on domestic growth and self-sufficiency. During the Biden administration, China’s leadership will be more inwardly focused, prioritizing domestic innovation, consumption, and self-sufficiency, while also continuing to open some sectors to attract international companies. In the wake of the trade war, China’s

leaders are doubling down on what they see as an imperative to pre-emptively protect China's interests from growing U.S. and Western pressure, since they are likely convinced the U.S.-China relationship will remain adversarial regardless of who occupies the White House from here on out. The possibility that the Biden administration could be followed in 2024 by another Trump or Trump-like administration only reinforces for China's leaders the rationality of this more inward-focused approach to reduce China's vulnerability to U.S. policies. The Chinese government also will seek to more fully leverage China's domestic market potential to secure more partners and allies as a hedge against the U.S.' reinvigorated role on the global stage.

Continued efforts to shore up international economic partnerships. We expect Chinese leaders to be more proactive and pre-emptive in seeking to solidify China's own international standing and partnerships. The signing of the Regional Comprehensive Economic Partnership (RCEP) in November had been in the works for years, but the timing of its signing was not entirely divorced from U.S.-China dynamics or U.S. domestic developments. Xi Jinping recently has stated interest in joining the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP), negotiating free trade agreements (FTAs) with Japan and Korea, and a comprehensive investment agreement with Europe. None of these is likely in the near term, as they would require more concessions from China than the lower-standard RCEP required. But the Chinese government's efforts to strengthen economic and business ties with trade partners in Asia and around the world will continue apace as it strives to reduce vulnerability to the deleterious effects of an increasingly tense U.S.-China relationship.

ASG Reality Check: China

Want to learn more about a Biden administration's likely approach to China policy? Please check out our recent ASG Reality Check video featuring ASG Principal Amy Celico, who previously served as Senior Director for China Affairs at the Office of the U.S. Trade Representative

View the video [here](#).



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