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SPECIAL ESSAY

The Evolving Geopolitics of Economic Interdependence between the United States and China: Reflections on a Deteriorating Great-Power Relationship

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EXECUTIVE SUMMARY

This essay explores why the U.S. and China have both come to adopt a more cautious view of globalization as their strategic frictions have intensified.

MAIN ARGUMENT

The U.S. and China were perhaps the two greatest beneficiaries of the phase of globalization that dated from roughly the mid-1970s to the 2008–9 global financial crisis. Now, however, each country assesses that a combination of intensifying domestic pressures and increasing external turbulence—in significant part the result of growing strategic frictions between the two states—is heightening the need for self-reliance. U.S.-China relations are poised to continue deteriorating as Washington and Beijing both take a dimmer view of their economic entanglement. That deterioration will shape but not dictate Asia's economic evolution.

POLICY IMPLICATIONS

- The U.S. and China are both increasingly likely to see their economic interdependence not as a source of stability but as a vector of vulnerability.
- Even so, the rhetoric around decoupling presently outpaces the reality; the U.S. and China will likely find it far more challenging to unwind their interdependence than they would like.
- The extent to which the Indo-Pacific Economic Framework succeeds in shoring up U.S. economic competitiveness will be a crucial litmus test of Washington's staying power in Asia.

Perhaps the two greatest beneficiaries of the phase of globalization that began in earnest in the mid-1970s and concluded with the 2008–9 global financial crisis were the world's preeminent power, the United States, and its principal strategic challenger, China. That roughly 35-year period witnessed the dismantling of trade barriers in numerous developing countries, the expansion of global supply chains, and a growing ratio between the values of goods trade to global output. However, mounting economic challenges at home, systemic shocks including the coronavirus pandemic and Russia's invasion of Ukraine, and the intensification of bilateral strategic frictions have collectively compelled each country to focus more on strengthening its internal economic resilience. While these two powers are scarcely withdrawing from globalization, they are increasingly sensitive to the nexus of macroeconomic volatility and geopolitical upheaval. The evolution of their respective dispositions and the shifting strategic balance between them will have the greatest impact on Asia, where their strategic competition is most pronounced.

This essay renders two main judgments: first, that U.S.-China relations are poised to continue deteriorating as Washington and Beijing both take a dimmer view of their economic entanglement; and second, that this deterioration will shape but not dictate Asia's economic evolution. The remaining text is organized as follows:

- pp. 83–85 note that the pandemic and Russia's invasion of Ukraine have underscored the extent to which strategic competition between the United States and China is shaping world affairs.
- pp. 85–92 explain why each country has come to adopt a more cautious view of globalization.
- pp. 93–98 contend that, despite that recalibration, it is premature to conclude that the world is fundamentally deglobalizing or that Washington and Beijing have decoupled.
- pp. 98–105 conclude the essay with a consideration of some factors that may shape Asia's economic evolution.

A MORE U.S.-CHINA-CENTRIC ORDER

As difficult as it may be to remember now, it seemed at the beginning of 2020 that the United States and China might be poised to press pause on the deterioration of their relationship, at least in the economic realm. After a year and a half of escalating trade tensions, then president Donald Trump and Chinese vice premier Liu He signed an interim trade deal on January 15. But any goodwill between Washington and Beijing soon dissipated with the arrival of the Covid-19 pandemic. The Trump administration argued that China had effectively loosed a deadly virus upon the world to sabotage the U.S. economy and damage Trump's re-election prospects, while Chinese officials and their "wolf warrior" representatives on Twitter accused the United States of attempting to deflect attention away from its own mismanagement of the pandemic and even suggested that Covid-19 may have originated at Fort Detrick, a U.S. Army research facility in Maryland.[1]

Tragically, rather than occasioning emergency bilateral coordination, the pandemic has served to bring the U.S.-China relationship to its lowest level since normalization. In addition, it has demonstrated China's resilience: among the major economies, China's was the only one to register positive growth in 2020, and the International Monetary Fund (IMF) reported that China posted the second-highest growth rate in 2021 (8.1%, behind India's 8.9%).[2] In 2020, the United States and China together accounted for 41.9% of gross world product, and the IMF estimates that that proportion will grow to 43.6% by the end of this year.[3]

Russia's invasion of Ukraine is likely to further heighten the centrality of strategic competition between the United States and China to the evolution of world order. The Trump administration concluded in its influential 2017 National Security Strategy and 2018 National Defense Strategy that the United States needed to prioritize great-power competition with Russia and China—a judgment that has gained significant bipartisan traction in the intervening years.

While no one knows when or how the war between Russia and Ukraine will conclude, it is a virtual certainty that the former will be worse off militarily, economically, and diplomatically than it was before the war.

1 Trump himself stated that "China will do anything they can to have me lose this [re-election] race." Trump's trade adviser, Peter Navarro, argued that "President Trump built the most powerful and beautiful economy in the world in three years. The Chinese Communist Party took it down in 60 days." Chinese foreign minister Wang Yi retorted that the United States was trafficking in "conspiracies and lies" about the coronavirus's origins, exhorting it to "stop wasting time and stop wasting precious lives." Likewise, Zhao Lijian, a spokesperson for China's Ministry of Foreign Affairs, asked "What's behind the closure of the biolab at Fort Detrick?" implying that the coronavirus originated in the United States. See Steve Holland, "Exclusive: Trump Says China Wants Him to Lose His Reelection Bid," Reuters, April 29, 2020 ~ https://www.reuters.com/article/us-usa-trump-china-exclusive/exclusive-trump-says-china-wants-him-to-lose-his-re-election-bid-idUSKBN22C01F; "Peter Navarro: Patient Zero Was in Wuhan Mid-November," Fox News, May 10, 2020 ~ https://video.foxnews.com/v/6155618711001; "Coronavirus: China Accuses U.S. of Spreading 'Conspiracies,'" BBC, May 24, 2020 ~ https://www.bbc.com/news/world-asia-china-52790634; and Zhao Lijian, Twitter, July 6, 2020 ~ https://twitter.com/zlj517/status/1280131459429232645.

2 IMF, *World Economic Outlook: War Sets Back the Global Recovery* (Washington, D.C.: IMF, 2022), 7.

3 IMF, "GDP, Current Prices (Billions of U.S. Dollars)," World Economic Outlook Database, April 2022.

It seems further certain that Moscow will be even more beholden to Beijing given that advanced industrial democracies, especially in the West, are swiftly moving to reduce their economic interactions with Russia, and any sanctions relief is likely to be halting and protracted so long as President Vladimir Putin is in power. In addition, postwar Russia is liable to be more embittered and aggressive, concluding that its best bet to avenge its losses in Ukraine is to serve as a more willing adjunct to the competitive efforts of the United States' principal strategic challenger, China. Even though Russia will continue to challenge U.S. national interests in unique ways, the United States is increasingly likely to discern a Russia-augmented China challenge—as opposed to distinct challenges from Moscow and Beijing—in no small part because China has publicly refrained from condemning Russian aggression, instead focusing on blaming the West for being insufficiently accommodative of Russia's proposals for Eastern Europe's security architecture.

In brief, while one would be remiss to discount the extent to which the pandemic and Russia's actions have shocked the international system—they have raised fundamental questions about the configuration of the global economy and the resilience of great-power peace—they have not had much of an impact on the global strategic balance. If anything, that balance is more centered on strategic competition between the United States and China than it was at the start of this decade. The decisions that these two powers make have—and will continue to exert—an inordinate impact on the global economy.

HOW WE GOT HERE: DIMMING VIEWS OF GLOBALIZATION

Given the centrality of U.S.-China relations to world affairs, it is notable and important that both the United States and China are taking a dimmer view of globalization. Each country assesses that a combination of intensifying domestic pressures and increasing external turbulence—in significant part the result of growing strategic frictions between the two—is heightening the need for self-reliance.

The United States' Shifting View of Globalization

For the United States, the 2008–9 global financial crisis was a key inflection point, serving not only to spotlight the risks of participating in what some economists have called "hyperglobalization"[4] but also to place in sharper relief the United States' socioeconomic challenges, which the Occupy Wall Street movement underscored in protests that captured national attention in 2011. The late 2000s and early 2010s also coincided with growing concern—among policymakers and the public alike—that U.S. foreign policy was amiss, bogged down in wars in Afghanistan and Iraq and preoccupied with an increasingly expansive global war on terrorism that seemed disconnected from Americans' material welfare.

One consequence has been a growing skepticism toward free trade agreements (FTAs). Indeed, the U.S.-initiated Trans-Pacific Partnership (TPP) largely foundered on account of domestic politics. In an October 2015 interview, Democratic Party front runner Hillary Clinton stated that although she "still believe[d] in the goal of a strong and fair trade agreement in the Pacific as part of a broader strategy both at home and abroad," she no longer supported the agreement that had been concluded two days earlier based on the details that she had reviewed.[5] While Clinton had been a forceful champion of the TPP as secretary of state during the first term of the Obama administration, that support later became a political liability as she sought to ward off challenges from Vermont senator Bernie Sanders and former Maryland governor Martin O'Malley, both of whom expressed strong opposition to the agreement.

A similar dynamic played out on the Republican side. Even though several presidential candidates had earlier expressed support for the TPP, Trump's unexpected momentum made that stance an increasing political liability and prompted a broader reckoning within the Republican Party, which had generally been a strong supporter of FTAs.[6] At a June 2016 rally in Ohio, Trump, by then the presumptive Republican nominee, lambasted the agreement as "another disaster done and pushed by special interests who

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4 See, for example, Arvind Subramanian, "Five Fateful Shifts That Will Shape the Future World Economy," *Financial Times*, June 15, 2022 ~ https://www.ft.com/content/47a61b74-1933-41fa-b32d-6e4006ba831c; Dani Rodrik, "A Better Globalization Might Rise from Hyper-Globalization's Ashes," Project Syndicate, May 9, 2022 ~ https://www.project-syndicate.org/commentary/after-hyperglobalization-national-interests-open-economy-by-dani-rodrik-2022-05; and Paul Krugman, "Honey, Who Shrunk the World?" *New York Times*, August 20, 2021 ~ https://www.nytimes.com/2021/08/20/opinion/us-globalization-tariffs.html.

5 "Hillary Clinton Says She Does Not Support Trans-Pacific Partnership," PBS, October 7, 2015 ~ https://www.pbs.org/newshour/politics/hillary-clinton-says-she-does-not-support-trans-pacific-partnership.

6 See, for example, Seung Min Kim, "GOP Senators Succumb to Trump's War on Trade," *Politico*, September 22, 2016 ~ https://www.politico.com/story/2016/09/gop-senators-trade-228403.

want to rape our country."[7] While the 2016 presidential election proved deeply polarizing, it did cement a bipartisan shift away from free trade and a growing bipartisan focus on boosting U.S. resilience.

The Trump administration was uniquely vocal in criticizing postwar U.S. participation in the global economy as shortsighted, but concerns about the impact of globalization on the U.S. middle class predate that administration. They have also influenced President Joe Biden's policy, and they will likely endure beyond this administration.

The pandemic has not only revealed how dependent the United States remains on other countries for vital commodities such as essential medicines; it has also demonstrated how significantly the U.S. manufacturing base has eroded and placed in sharp relief a number of disconcerting facts about the country's socioeconomic conditions:

- Between the first quarter of 2006 and the first quarter of 2022, U.S. student loan debt increased from $481 billion and $1.75 trillion.[8]
- Between 1970 and 2020, the share of U.S. income held by adults in middle-income households fell from 62% to 42%.[9]
- Life expectancy in the United States fell by over two years between 2019 and 2021.[10]

Shortly after Biden took office, Secretary of State Antony Blinken explained that three questions would guide the administration's foreign policy; tellingly, the first two were domestically focused: "What will our foreign policy mean for American workers and their families? What do we need to do around the world to make us stronger here at home?"[11] In June 2021, with the pandemic's human toll and economic costs quickly mounting, the Biden administration published a comprehensive review of supply chains that advocated a less blinkered appraisal of globalization:

7 Jose A. DelReal and Sean Sullivan, "Trump: TPP Trade Deal 'Pushed by Special Interests Who Want to Rape Our Country,'" *Washington Post*, June 28, 2016 ⁓ https://www.washingtonpost.com/news/post-politics/wp/2016/06/28/trump-tpp-trade-deal-pushed-by-special-interests-who-want-to-rape-our-country.

8 "Student Loans Owned and Securitized," Board of Governors of the Federal Reserve System, St. Louis Federal Reserve, Federal Reserve Economic Data, June 2022.

9 Rakesh Kochhar and Stella Sechopoulos, "How the American Middle Class Has Changed in the Past Five Decades," Pew Research Center, April 20, 2022 ⁓ https://www.pewresearch.org/fact-tank/2022/04/20/how-the-american-middle-class-has-changed-in-the-past-five-decades.

10 Deidre McPhillips, "U.S. Life Expectancy Continues Historic Decline with Another Drop in 2021, Study Finds," CNN, April 8, 2022 ⁓ https://www.cnn.com/2022/04/07/health/us-life-expectancy-drops-again-2021.

11 Antony J. Blinken, "A Foreign Policy for the American People" (speech at the U.S. Department of State, Washington, D.C., March 3, 2021) ⁓ https://www.state.gov/a-foreign-policy-for-the-american-people.

> It is neither possible nor desirable to produce all essential American goods domestically. But for too long, the United States has taken certain features of global markets—especially the fear that companies and capital will flee to wherever wages, taxes and regulations are lowest—as inevitable. In the face of those same pressures, other countries successfully invested in policies that distributed the gains from globalization more broadly, including to workers and small businesses. We must press for a host of measures—tax, labor protections, environmental standards, and more—that help shape globalization to ensure it works for Americans as workers and as families, not merely as consumers.[12]

That same month, in a speech announcing the administration's "vision for a twenty-first century American industrial strategy," National Economic Council Director Brian Deese observed that "the idea of an open, free-market global economy ignores the reality that China and other countries are playing by a different set of rules. Strategic public investment to shelter and grow champion industries is a reality of the twenty-first century economy."[13]

As Deese's judgment clarifies, the United States is recalibrating its view of globalization not only because of the American middle class's struggles but also on account of the intensifying strategic competition with China. The U.S. government played an enormous role in subsidizing the development of the U.S. military-industrial complex during the Cold War, and Japan's seeming economic miracle in the 1980s and early 1990s prompted some U.S. policymakers and economists to call for an explicit embrace of industrial policy.[14]

Today, however, such exhortations have taken on greater urgency. While the Soviet Union posed an acute military and economic challenge to the United States, it was not a potent economic rival.[15] And although Japan appeared to be gaining on the United States economically, it was a fellow democracy that posed no security threat. China, by contrast, is the most multidimensional challenger that the United States has faced—eroding U.S. military dominance in Asia, presiding over the world's second-largest economy, serving as the

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12 White House, *Building Resilient Supply Chains, Revitalizing American Manufacturing, and Fostering Broad-Based Growth: 100-Day Reviews under Executive Order 14017* (Washington, D.C., June 2021), 8.

13 Brian Deese, "The Biden White House Plan for a New U.S. Industrial Policy" (speech at the Atlantic Council, Washington, D.C., June 23, 2021) ~ https://www.atlanticcouncil.org/commentary/transcript/the-biden-white-house-plan-for-a-new-us-industrial-policy.

14 Steven Greenhouse, "The Calls for an Industrial Policy Grow Louder," *New York Times*, July 19, 1992 ~ https://www.nytimes.com/1992/07/19/business/the-calls-for-an-industrial-policy-grow-louder.html.

15 Historian Niall Ferguson cites the late economist Angus Maddison's estimates that the ratio between the Soviet Union's GDP and the United States' GDP never exceeded 44%. See "Evergrande's Fall Shows How Xi Has Created a China Crisis," Bloomberg, September 26, 2021 ~ https://www.bloomberg.com/opinion/articles/2021-09-26/niall-ferguson-evergrande-is-a-victim-of-xi-jinping-s-china-crisis.

linchpin of global supply chains, and articulating conceptions of domestic governance and world order that increasingly center Chinese norms and critique those of the West. In brief, increasing U.S. skepticism of globalization and increasing U.S. apprehension of China are not simply parallel phenomena but inextricably intertwined ones.

Between the U.S. opening to China in the 1970s and Trump's election, both Washington and Beijing largely regarded their interdependence as a stabilizing force in a relationship that had little, if any, organic basis for development. The United States did, of course, make common strategic cause with China during the Cold War, leveraging tensions between Beijing and Moscow in the service of containing the Soviet Union. With the conclusion of the Cold War, however, that foundation for U.S.-China relations no longer obtained, and the underlying unease between Washington and Beijing resurfaced, especially against the backdrop of China's crackdown on dissidents at Tiananmen Square in 1989. Indeed, in an assessment that proved to be remarkably prescient, journalist Nicholas Kristof ventured in late 1991 that China would "become America's chief ideological adversary and symbol of much that Americans find offensive," concluding that no other country "stands up so brazenly for ideologies and values that most Americans find outdated or evil."[16]

Still, the United States had little reason to venture at the time that China would emerge into a formidable challenger, let alone that it would do this so quickly. The Soviet Union's collapse seemed to vindicate a prevalent Western view that authoritarian regimes such as China's could only endure for so long against the (apparent) tide of history. The United States hoped that integrating China more fully into the global economy might induce it to liberalize politically over time and diminish whatever aspirations it might harbor for revising the postwar order. And the gap between U.S. and Chinese power was vast—so vast, indeed, that a prominent U.S. strategic thinker could plausibly, if controversially, write an essay in 1999 questioning whether China was a significant global player.[17]

China's comprehensive national power has, of course, expanded dramatically in the intervening two decades—especially under the rule of President Xi Jinping—and the United States' assessment of it has accordingly changed: across the ideological spectrum, U.S. policymakers increasingly

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16 Nicholas D. Kristof, "The World; China Takes on the Role of Enemy No. 1 to the West," *New York Times*, September 22, 1991 ~ https://www.nytimes.com/1991/09/22/weekinreview/the-world-china-takes-on-the-role-of-enemy-no-1-to-the-west.html.

17 Gerald Segal, "Does China Matter?" *Foreign Affairs*, September/October 1999, 24–36.

judge that China seeks to overtake the United States in the hierarchy of nation-states and establish a Sinocentric configuration of world affairs. Near the end of the Trump administration, the State Department's Policy Planning Staff warned that China is intent on "displacing the United States as the world's foremost power and restructuring world order to conform to the [Chinese Communist Party's] distinctive way of empire."[18] The Biden administration's February 2022 Indo-Pacific Strategy concludes that China "seeks to become the world's most influential power" and assesses that the combined efforts of the United States, its allies, and its partners "over the next decade will determine whether [China] succeeds in transforming the rules and norms that have benefitted the Indo-Pacific and the world."[19] Those judgments introduce a vexing policy dilemma: how can the United States prevent its putative replacement from exploiting the two countries' interdependence without incurring the economic damage that would result from unilateral U.S. efforts to rend their linkages?

China's Shifting View of Globalization

One can tell a similar story about China's shifting view of globalization. The 1997–98 Asian currency crisis and the 2008–9 global financial crisis both reinforced the leadership's doubts about the competence of the United States' macroeconomic stewardship and heightened the leadership's commitment to pursuing greater self-reliance. The pandemic was another wake-up call for China, whose GDP contracted by 6.8% in the first quarter of 2020 vis-à-vis the same period in 2019. So, too, has been Russia's invasion of Ukraine, which has severely disrupted global energy markets and gravely exacerbated food insecurity.

Such shocks mean that China faces a considerably less benign global environment for its "go out" strategy. Thus, for example, while Beijing's Belt and Road Initiative (BRI) has helped China make economic inroads across the world, the campaign is increasingly encountering difficulties as more recipient countries express concerns about the environmental impact and uneven implementation of its projects. Meanwhile, with the ongoing toll of the pandemic and the growing toll of the Russia-Ukraine war disproportionately

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18 Policy Planning Staff, Office of the Secretary of State, *The Elements of the China Challenge,* (Washington, D.C., 2020), 7 ~ https://www.state.gov/wp-content/uploads/2020/11/20-02832-Elements-of-China-Challenge-508.pdf.

19 White House, *Indo-Pacific Strategy of the United States* (Washington, D.C., 2022), 5 ~ https://www.whitehouse.gov/wp-content/uploads/2022/02/U.S.-Indo-Pacific-Strategy.pdf.

affecting developing countries, China is coming under growing pressure to offer debt relief to recipient countries.

Though Chinese officials often tout their country's commitment to "reform and opening up," the Politburo Standing Committee introduced in a May 2020 meeting the concept of "dual circulation," which prioritizes "internal circulation" to boost domestic consumption over "international circulation" to boost exports. And even though China fields several globally competitive companies—Alibaba, Baidu, and Tencent, for example—the country's leadership increasingly seeks to shift capital to those companies that principally see themselves as instruments of the leadership's strategic objectives, even if that reallocation is economically unsound.

As with the United States, however, China is increasingly concerned about globalization in large measure because it discerns a more challenging external environment. Even as its leadership projects growing outward confidence—it promulgates the twin narratives of Beijing's seemingly inexorable resurgence and Washington's supposedly terminal decline, embedded in a broader narrative of a rising East and a falling West—China recognizes that its major-power relations are steadily deteriorating, most importantly with the United States.

With the arrival of the Trump administration, China came to conclude that heightened self-reliance was both an economic imperative and, critically, a security one. Indeed, journalists Bob Davis and Lingling Wei explain that Beijing saw the administration's imposition of tariffs on Chinese exports in mid-2018 as "its version of America's Sputnik moment—a foreign threat that requires the country to redouble its technological efforts."[20] The administration also imposed enormous pressure on one of China's most powerful technology companies, Huawei, and on the country's largest chipmaker, Semiconductor Manufacturing International Corporation. Those efforts achieved limited results, both because they were largely unilateral and because the administration imposed economic pressure on many core U.S. allies and partners at the same time as it was challenging China.

Still, China saw the Trump administration's efforts as precedents, not aberrations. Beijing believes that the Biden administration will continue its predecessor's approach, albeit with greater consistency, discipline, and multilateralism. Nor, as international relations scholar Yan Xuetong explains,

20 Bob Davis and Lingling Wei, *Superpower Showdown: How the Battle between Trump and Xi Threatens a New Cold War* (New York: HarperCollins, 2020), 409.

does the Chinese leadership assess that any recalibration of China's position toward Russia would alter the current trajectory of U.S.-China relations:

> Even if Beijing were to join in the international condemnation of Russia, the United States would not soften its containment policy against China…. In [the eyes of its leaders], condemning Russia publicly and siding with those enforcing sanctions against it would only open the door for the United States to impose secondary sanctions on China itself.[21]

If the Trump administration's announcement of tariffs was one "Sputnik moment," the response of the advanced industrial democracies to Russia's invasion of Ukraine has likely been another. The putative "fortress economy" that Russia had built since its annexation of Crimea in 2014 was evidently not as impervious as many observers had assessed prior to the February 2022 invasion. China is far more integrated within the global economy than Russia, meaning that it would be far more capable of absorbing—but also far more vulnerable to—a campaign of economic pressure.[22] Beijing's greatest concern is that advanced industrial democracies will coalesce to thwart China's technological development at a time when the growth model that has propelled it for the better part of the past four decades is losing momentum.

In short, the intensification of strategic frictions is compelling the United States and China to take a dimmer view of their economic entanglement: each is increasingly likely to see interdependence not as a source of stability but as a vector of vulnerability. That their relationship is poised to further deteriorate would appear self-evident. This raises two questions: first, what constraints will they be able and willing to erect to circumscribe that deterioration, and second, will they be able and willing to preserve a baseline of cooperation on the panoply of transnational challenges that implicate their shared national interests?

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21 Yan Xuetong, "China's Ukraine Conundrum: Why the War Necessitates a Balancing Act," *Foreign Affairs*, May 2, 2022 ~ https://www.foreignaffairs.com/articles/china/2022-05-02/chinas-ukraine-conundrum.

22 The United States should appreciate, though, that the extraordinary financial power that it has marshaled—most vividly and swiftly against Russia but significantly and steadily against China as well—will not only lend further impetus to their efforts to circumvent the dollar; it will also intensify discussions to that end among U.S. allies and partners.

WHERE WE ARE NOW: DECLARATIONS OF DEGLOBALIZATION AND DECOUPLING

The extent, however, to which Washington and Beijing are withdrawing from the global economy should not be overstated, nor should the extent to which globalization itself is slowing. Systemic shocks are often said to portend "the end of globalization"—whether the 2008–9 global financial crisis, the pandemic, or, more recently, Russia's invasion of Ukraine. The problem with such declarations is that globalization is a multifaceted, continuously evolving phenomenon. Even if and as certain manifestations stall, others may accelerate and new ones may emerge.[23]

As such, global FDI flows fell from $2.06 trillion in 2015 to $963 billion in 2020 (though they rebounded to $1.58 trillion in 2021).[24] And trade intensity has declined in most goods-producing global value chains since 2007.[25] On the other hand, at least for now, many commonly employed gauges of globalization suggest that it is holding up reasonably well:

- The IMF notes that while world merchandise imports by value did decline sharply in the nascent stages of the pandemic, they eclipsed pre-pandemic projections by the third quarter of 2020.[26]
- The Bank of International Settlements reports that though banks' cross-border claims declined by $8.37 trillion between the beginning of 2008 and the end of 2016, they have steadily rebounded since then, gaining $7.97 trillion by the end of 2021.[27]
- Though remittances to low- and middle-income countries only grew marginally between 2019 and 2020, increasing from $553 billion to

23 See, for example, Martin Wolf, "The Big Mistakes of the Anti-Globalisers," *Financial Times*, June 21, 2022 ~ https://www.ft.com/content/fa1f3a82-99c5-4fb2-8bff-a7e8d3f65849; Pascal Lamy and Nicolas Köhler-Suzuki, "Deglobalization Is Not Inevitable: How the World Trade Organization Can Shore Up the Global Economic Order," *Foreign Affairs*, June 9, 2022 ~ https://www.foreignaffairs.com/articles/world/2022-06-09/deglobalization-not-inevitable; and Emilio Rossi, "Deglobalization or Slowbalization?" Aspenia, May 16, 2022 ~ https://aspeniaonline.it/deglobalization-or-slowbalization.

24 UN Conference on Trade and Development, *World Investment Report 2022: International Tax Reforms and Sustainable Investment* (New York: United Nations, 2022), 2 ~ https://unctad.org/system/files/official-document/wir2022_en.pdf.

25 Susan Lund et al., "Globalization in Transition: The Future of Trade and Value Chains," McKinsey Global Institute, January 16, 2019, 6 ~ https://www.mckinsey.com/featured-insights/innovation-and-growth/globalization-in-transition-the-future-of-trade-and-value-chains.

26 Prachi Mishra and Antonio Spilimbergo, "Economists Miscalculated the Disruptions of the Global Financial Crisis and the Pandemic—and Need to Build Better Models," IMF, May 24, 2022 ~ https://www.imf.org/en/Publications/fandd/issues/2022/analytical-series/Globalization-Resilience-Mishra-Spilimbergo.

27 Bank for International Settlements, "Locational Banking Statistics," June 13, 2022.

> $558 billion, they reached an estimated $605 billion in 2021 and are projected to reach $630 billion this year.[28]

And some forms of globalization, while relatively nascent, are surging, with digital trade being perhaps the foremost one.[29] On balance, it is more accurate to say that globalization is evolving, not ending.

The twin shocks of the pandemic and Russia's invasion of Ukraine have understandably stimulated more urgent conversations between the advanced industrial democracies about arrangements that they might pursue to reduce their reliance on China. U.S. Treasury secretary Janet Yellen formalized that proposal in a widely discussed April 2022 speech: "Favoring the friend-shoring of supply chains to a large number of trusted countries, so we can continue to securely extend market access, will lower the risks to our economy as well as to our trusted trade partners."[30] Economics commentator Martin Sandbu ventures that while strategic frictions may slow globalization on the whole, we might actually witness more intense globalization within increasingly ideological blocs:

> [I]t looks very plausible that the global economy may be reorganized along big regional blocs defined not just by geography but by common values and governance. That would be "deglobalization" in the literal sense. But it would involve more globalization in the economically meaningful sense—that of deepening cross-border economic integration. "Regionalized globalization" would be a better term.[31]

Although the contours of such economic blocs may come into sharper view as time passes, they are unlikely to be as rigid and isolated from one another as, for example NATO and the Warsaw Pact were during

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28 Dilip Ratha et al., *A War in a Pandemic: Implications of the Ukraine Crisis and Covid-19 on Global Governance of Migration and Remittance Flows* (Washington, D.C.: KNOMAD-World Bank, 2022), 2 ⤳ https://www.knomad.org/sites/default/files/2022-05/Migration%20and%20Development%20Brief%2036_May%202022_0.pdf.

29 Scott Lincicome, "It's the End of Globalization as We Know It (and That's Probably Fine), Part 1," Dispatch, March 30, 2022, available at https://www.cato.org/commentary/its-end-globalization-we-know-it-thats-probably-fine-part-1.

30 Janet Yellen, "U.S. Treasury Secretary Janet Yellen on the Next Steps for Russia Sanctions and 'Friend-Shoring' Supply Chains" (speech at the Atlantic Council, Washington, D.C., April 13, 2022) ⤳ https://www.atlanticcouncil.org/news/transcripts/transcript-us-treasury-secretary-janet-yellen-on-the-next-steps-for-russia-sanctions-and-friend-shoring-supply-chains.

31 Martin Sandbu, "The Death of Globalization Has Been Greatly Exaggerated," *Financial Times*, May 28, 2022, available at https://www.channelnewsasia.com/commentary/trade-globalisation-wef-davos-growth-recession-us-china-russia-war-2711606.

the Cold War.[32] Even those countries that seek to counterbalance China militarily, economically, and ideologically recognize that they cannot readily decouple from the Chinese economy. The IMF forecasts that, at current prices, China's GDP will be approximately 94% as large as that of the United States by 2027.[33] A poor demographic outlook, accumulating environmental degradation, and an increasingly inefficient growth model will all contribute to a slowdown of its growth rate; so, too, at least in the short term, will Beijing's insistence on adhering to a "zero-Covid" policy. It is difficult to envision a scenario, however, in which China does not ultimately possess the world's largest economy. And there is little evidence to suggest that China is being detached from the rest of the global economy; quite to the contrary, China's exports reached a record high of $3.36 trillion in 2021, and FDI into China also reached a record high last year at $334 billion.[34]

There is good reason to believe that countries such as Mexico and Vietnam will assume a more prominent role in global supply chains and that efforts on the part of democracies to diversify away from China will steadily bear fruit. The timeline for this process, however, is likely to be protracted. Paul Triolo, an expert on China's technological development, estimates that just 5% to 10% of advanced manufacturing will move out of China over the next five years.[35] Economic strategist Ben Simpfendorfer ventures that it will take two decades for production networks to reorient themselves in a way that meaningfully reduces Beijing's centrality.[36] For now,

> the overall picture is still one of intense interdependency. China has 75% of global battery manufacturing capacity. Even after its

32 Steven A. Altman and Caroline R. Bastian explain that, ideological considerations aside, there are practical reasons to question how far regionalization will extend: "Geopolitical tensions, technological trends, and environmental concerns all have the potential to contribute to an increase in trade regionalization…. Nonetheless, other forces will continue to favor long-distance trade. These include container shipping costs eventually coming down to more normal levels, the growing share of emerging economies in global trade (they tend to trade over longer distances), and the ongoing improvement of technologies that ease long-distance transactions." See Steven A. Altman and Caroline R. Bastian, "Trade Regionalization: More Hype Than Reality?" *Harvard Business Review*, May 31, 2022 ~ https://hbr.org/2022/05/trade-regionalization-more-hype-than-reality.

33 IMF, "GDP, Current Prices (Billions of U.S. Dollars)."

34 Stella Yifan Xie, "China's Export Machine Notches New Record as Pandemic Grinds On," *Wall Street Journal*, January 14, 2022 ~ https://www.wsj.com/articles/chinas-export-machine-notches-new-record-as-pandemic-grinds-on-11642150270; and Tianlei Huang and Nicholas R. Lardy, "Foreign Corporates Investing in China Surged in 2021," Peterson Institute for International Economics, March 29, 2022 ~ https://www.piie.com/blogs/realtime-economic-issues-watch/foreign-corporates-investing-china-surged-2021.

35 James Kynge, "U.S.-China Rift Becomes a Legal Feud," *Financial Times*, May 12, 2022 ~ https://www.ft.com/content/b1bff631-5fcb-4e96-a33a-5dbcdd224d2b.

36 Kathrin Hille, "The Great Uncoupling: One Supply Chain for China, One for Everywhere Else," *Financial Times*, October 6, 2020 ~ https://www.ft.com/content/40ebd786-a576-4dc2-ad38-b97f796b72a0.

> new investments, TSMC [Taiwan Semiconductor Manufacturing Company] will have over 80% of its plant in Taiwan, which China claims as its territory. The impossibility of Asia decoupling from China is brought home by a tech boss who reckons 80% of goods sold on South-East Asia's booming e-commerce platforms are from the Middle Kingdom. Were multinational firms to spend as they are today, they would need 16 years to replace the cumulative stock of cross-border investment in Asia. Even if they could, few firms want to exit China's economy.[37]

The difficulties that the West has had in squeezing Russia's economy suggest how much more challenging it would be to isolate China, whose GDP is nearly ten times as large. But the difficulties go both ways. As aggressively as Beijing is pushing for greater technological self-reliance, U.S. export controls are constraining China's ability to develop leading-edge semiconductors.[38] And the longer that the war between Russia and Ukraine continues, the more likely Beijing's relations with both Washington and Brussels will be to worsen—a deterioration that would further hamper China's capacity for indigenous innovation.

There is not, as of yet, a unified, concerted effort on the part of the advanced industrial democracies to stifle China's technological progress. But China can ill afford to be complacent. The European Union has paused the ratification of the Comprehensive Agreement on Investment with China, and Washington and Brussels are intensifying bilateral cooperation under the auspices of a Trade and Technology Council. Japan passed an economic security law in May that aims to reduce Tokyo's dependence on Beijing as a supplier, particularly for electronics items such as smartphones and laptops.[39] And Congress is contemplating measures to expand the U.S. government's authority to scrutinize outbound investment into China.

China is accordingly sparing no effort to make itself technologically self-reliant. In May 2020, Beijing unveiled a plan to invest $1.4 trillion in advanced technologies by 2025, with a focus on 5G networks. As of the beginning of this year, the government had identified nearly 4,800 "little giants"—start-up companies that are developing technologies the government deems to be of

37 "Decoupling Is the Last Thing on Business Leaders' Minds," *Economist*, November 27, 2021 ~ https://www.economist.com/business/2021/11/27/decoupling-is-the-last-thing-on-business-leaders-minds.

38 Antoni Slodkowski, "Chip Supplier Says China Will Struggle to Develop Advanced Technology," *Financial Times*, May 22, 2022 ~ https://www.ft.com/content/a3e2c685-2f1f-46cf-892b-c44cdda88919.

39 Yuki Fujita, "Weak Supply Chain Link: Japan Reliant on Chinese Phones, Laptops," *Nikkei Asia*, February 6, 2022 ~ https://asia.nikkei.com/Spotlight/Supply-Chain/Weak-supply-chain-link-Japan-reliant-on-Chinese-phones-laptops.

strategic importance—and it hopes to have named 10,000 by 2025.[40] China is also moving quickly to address its principal Achilles' heel: chip production. Harvard professor Graham Allison and technologist Eric Schmidt observe that the country is "on track to overtake Taiwan as the world's largest manufacturer of chips as soon as 2025. It already prints more than half the world's circuit boards, which are necessary to install chips in devices."[41]

In brief, while it is indisputable that advanced industrial democracies, especially the United States, are moving to reduce their entanglement with China, and that China is trying to enhance its technological self-reliance, unwinding these linkages is likely to prove far more challenging than both sides would like. Bilahari Kausikan, former permanent secretary of Singapore's Foreign Ministry, distills this gap between the rhetoric around and the reality of decoupling:

> Just as it is easier for China to talk about becoming more self-reliant than to do it, it is easier for the West to talk about diversifying supply chains to become less dependent on China than to do it. The global web of supply chains is unlikely to bifurcate across all sectors, although partial bifurcation has already occurred in some sectors and more bifurcation is likely in sectors that have national security implications. But complete across-the-board separation into two systems is highly improbable.[42]

It is telling, in fact, that talk of decoupling is premature even in the case of the United States and China, which, as each other's principal strategic competitors, are actively looking to recalibrate their economic interdependence. Two-way goods trade between them stood at $657.4 billion in 2021, up from $557.2 billion in 2019.[43] In addition, ahead of the 2022 midterm elections, the Biden administration is signaling greater openness to winding down some Trump-era Section 301 tariffs as a way of taming inflation. A recent survey of three hundred companies by the American Chamber of Commerce in China found that 83% are "not considering relocating manufacturing outside of China."[44] Thus, how significantly Washington and

40 "China's 'Little Giants' Are Its Latest Weapon in the U.S. Tech War," Bloomberg, January 23, 2022 ~ https://news.bloomberglaw.com/antitrust/chinas-little-giants-are-latest-weapon-in-tech-war-with-u-s.

41 Graham Allison and Eric Schmidt, "Semiconductor Dependency Imperils American Security," *Wall Street Journal*, June 20, 2022 ~ https://www.wsj.com/articles/semiconductor-dependency-imperils-american-security-chip-manufacturing-technology-sector-11655654650.

42 Bilahari Kausikan, "China's Strategic Dilemmas," Asia Sentinel, March 22, 2022 ~ https://www.asiasentinel.com/p/china-strategic-dilemmas.

43 "Trade in Goods with China," U.S. Census Bureau, 2022.

44 Michael Smith, "U.S. Companies in China Profitable but Pessimistic," *Financial Review* (Australia), March 8, 2022 ~ https://www.afr.com/world/asia/us-companies-in-china-profitable-but-pessimistic-20220308-p5a2v4.

Beijing can decouple is unclear, not only given the extent, complexity, and multiplicity of their present interdependence but also given the likelihood that transnational challenges such as climate change, pandemic disease, and macroeconomic instability will make it steadily harder for them to rupture their linkages.[45]

WHERE WE ARE GOING: ASIA'S ECONOMIC FUTURE

A Shared U.S.-China Desire to Decouple

That it may prove difficult for the United States and China to decouple does not mean that they will not endeavor to assiduously. Nor does either country appear to believe that now is the time to change course economically. Domestic U.S. politics will give policymakers little room to advocate for either joining existing trade agreements or establishing new ones. And even though an accumulating body of evidence demonstrates that the tariffs imposed by the Trump administration have harmed U.S. consumers without inducing China to change those of its economic practices that the United States considers most problematic, the debate over removing tariffs is at least as much a political one as it is an economic one.[46] The United States will likely be reluctant to scale tariffs back significantly without a concession from China that Washington deems to be proportional.

Nor do domestic Chinese politics presently favor a recalibration. Xi was already framing technological self-reliance in existential terms in May 2018, roughly three months after Trump had announced his intention to initiate a tariff campaign, calling such self-reliance "the foundation for the Chinese nation to strive and stand on its own among the nations of the world" and contending that it was "the only way for us to scale the world's

45 And as Jon Bateman, a senior fellow in the Carnegie Endowment for International Peace's Technology and International Affairs Program, makes clear in a superb study, the United States must take care not to undercut its own competitiveness as it contemplates further disentanglement from China: "Without a clear strategy, the U.S. government risks doing too little or—more likely—too much to curb technological interdependence with China. In particular, Washington may accidentally set in motion a chaotic, runaway decoupling that it cannot predict or control." See Jon Bateman, "U.S.-China Technological 'Decoupling': A Strategy and Policy Framework," Carnegie Endowment for International Peace, April 25, 2022, 1 ~ https://carnegieendowment.org/2022/04/25/u.s.-china-technological-decoupling-strategy-and-policy-framework-pub-86897.

46 Economist Chad P. Bown cites several studies that reach this conclusion in "China Bought None of the Extra $200 Billion of U.S. Exports in Trump's Trade Deal," Peterson Institute for International Economics, March 8, 2022 ~ https://www.piie.com/blogs/realtime-economic-issues-watch/china-bought-none-extra-200-billion-us-exports-trumps-trade.

technological peaks."[47] The pandemic and the Western response to Russia's invasion of Ukraine have only deepened that conviction.[48]

One should be cautious, however, in assuming that their present orientations will prove immutable. Given the United States' overarching, bipartisan focus on strategic competition with China, Washington may revisit its present reluctance to forge new trade agreements if it comes to believe that the United States will prove incapable of holding its own economically against China without a reinvigorated trade agenda. Beijing, meanwhile, may place less emphasis on dual circulation if it comes to believe that it will prove incapable of withstanding sustained economic pressure from a coalition of advanced industrial democracies.

Asia's Economic Evolution

Leaving aside those prospective reorientations, at least three factors will shape Asia's economic evolution. The first is the performance of China's economy. In March, the Lowy Institute ventured if China were to sustain growth of 4% to 5% out to 2050, it could emerge into "a massive economic bloc unto itself." The global economic landscape would be more complex, however, if China were to achieve an average growth rate of just 2% to 3%:

> China would still likely become the largest economy in the world in U.S. dollar terms. But its advantage over the United States would be modest and not enough to confer any significant general competitive advantage, at least not on the basis of its economic size alone. Moreover, China would lack the economic heft needed to compete with major Western economies as a group, for example in terms of its ability to devote resources to science and innovation, military spending, or financing overseas infrastructure projects.[49]

Some observers contend, counterintuitively, that China's comprehensive national power has peaked or will soon reach its zenith, suggesting that the greater medium- to long-run danger to world order will arise not from a confident colossus that believes time is on its side but from an anxious revisionist that discerns a narrowing window of opportunity to advance core

47 "Xi Jinping: 'Strive to Become the World's Primary Center for Science and High Ground for Innovation,'" trans. Ben Murphy et al., DigiChina, March 18, 2021 ~ https://digichina.stanford.edu/work/xi-jinping-strive-to-become-the-worlds-primary-center-for-science-and-high-ground-for-innovation.

48 Zongyuan Zoe Liu, "China Is Hardening Itself for Economic War," *Foreign Policy*, June 16, 2022 ~ https://foreignpolicy.com/2022/06/16/china-economic-war-decoupling-united-states-containment.

49 Roland Rajah and Alyssa Leng, "Revising Down the Rise of China," Lowy Institute, 2022, 5–6 ~ https://www.lowyinstitute.org/publications/revising-down-rise-china.

national interests.[50] While China's socioeconomic challenges and external constraints are formidable, the country's leaders do not appear to share this judgment. Instead, explains political scientist Andrew Nathan, "they believe the West is in decline, hobbled by ill-managed and slow-growing economies, social divisions, and weak political leaders. However, Chinese strategists do not seem to believe that China has yet reached a favorable power balance with the West."[51]

Nor do most of their U.S. counterparts appear to believe so either, because of both how significantly China's GDP has grown since the turn of the century and how often the country has defied prognostications of a hard landing. China's power trajectory, as well as the momentum of its narrative, rides in considerable measure on its centrality within the global economy. If that centrality decreases over time, its neighbors—especially Australia, India, Japan, and South Korea, which are already aligning much more openly and intentionally with the United States to contest China's influence—may feel more confident in challenging its strategic preferences and in intensifying their efforts to reduce their entanglement with its economy. While Southeast Asian countries would likely proceed more cautiously, they might not be as concerned as they currently are about potential Chinese reactions to support for U.S. initiatives. If China's economic centrality increases or simply persists at its present level, though, even countries with significant apprehensions about its present conduct and strategic intentions may conclude that they need to be more accommodating of Beijing to safeguard their own national interests.

The second factor will be the United States' ability to prioritize Asia. U.S. regional allies and partners are understandably apprehensive that Russia's invasion of Ukraine will, once more, prevent the United States from rebalancing in earnest. The George W. Bush administration, for example, entered office with a desire to prioritize Asia, but the terrorist attacks of September 11 compelled it to focus on the Middle East. The Obama administration was even more explicit about its intention to focus eastward, but a series of revolutions across the Middle East as well as Russia's 2014 incursion into Ukraine ended up consuming much of its foreign policy bandwidth. While the Trump administration came into office hoping to make strategic competition with China the fulcrum of U.S. foreign policy, its "America first" transactionalism

50 See, for example, Andrew A. Michta, "Russia and China's Dangerous Decline," *Wall Street Journal*, December 14, 2021 ~ https://www.wsj.com/articles/russia-and-china-dangerous-population-decline-indo-pacific-pivot-research-development-taiwan-ukraine-11639497466.

51 Andrew J. Nathan, "Beijing Is Still Playing the Long Game on Taiwan: Why China Isn't Poised to Invade," *Foreign Affairs*, June 23, 2022 ~ https://www.foreignaffairs.com/articles/china/2022-06-23/beijing-still-playing-long-game-taiwan.

unnerved many U.S. allies and partners, and escalating tensions in the Middle East—between Iran and Saudi Arabia as well as between the United States and Iran—ended up undercutting its attempt to reorient U.S. foreign policy.

There is a debate within the Biden administration about the ultimate impact that Russia's invasion will have on U.S. efforts to rebalance.[52] The optimistic case is that Moscow will be substantially weaker after the war, no matter the parameters of the conflict's resolution, and that Brussels, shocked into undertaking sweeping investments in Europe's own defense, will strive to ensure that it can both deter and punish future Russian aggression without relying as significantly on Washington. A less sanguine case holds that a weaker Russia may be even more aggrieved and prone to risk-taking—prepared not only to launch another round of aggression against Ukraine but also, perhaps, to lash out elsewhere. The grimmest scenario would involve a direct armed confrontation between NATO and Russia, which would render it nearly impossible, both strategically and politically, to accord singular focus to Asia.

The Biden administration has thus far been able to sustain the U.S. rebalance amid this upheaval. Indeed, it is notable that it registered its most productive period of regional diplomacy with the Russia-Ukraine war raging: in May alone the United States hosted a summit for representatives of the Association of Southeast Asian Nations (ASEAN) member countries, announced a nominee for U.S. ambassador to ASEAN (a position that has been vacant since January 2017), participated in the fourth Quad Leaders' Summit, and unveiled the Indo-Pacific Economic Framework (IPEF).

The extent to which the IPEF succeeds in shoring up U.S. economic competitiveness will be a crucial litmus test of Washington's staying power in the region, for a simple but compelling reason that South Korean president Yoon Suk-yeol noted while speaking alongside Biden at their bilateral meeting in May: "Mr. President, today we're living in the era of economic security, where economy is security and vice versa."[53] His statement distills the painful experiences of the past two and a half years: the pandemic and Russia's invasion of Ukraine demonstrate how severely disruptions to the production and distribution of essential medicines, crude oil, and agricultural staples,

52 Peter Martin, "Biden Team Sees China Tilt Aided as Putin Falters in Ukraine," Bloomberg, May 9, 2022 ∾ https://www.bloomberg.com/news/articles/2022-05-09/biden-team-sees-its-bid-to-curb-china-gaining-from-ukraine-stand.

53 "Remarks by President Biden and President Yoon Suk Yeol of the Republic of Korea during Bilateral Meeting," White House, May 21, 2022 ∾ https://www.whitehouse.gov/briefing-room/speeches-remarks/2022/05/21/remarks-by-president-biden-and-president-yoon-suk-yeol-of-the-republic-of-korea-during-bilateral-meeting.

among other goods, can undermine the global economy. This statement also underscores the primacy of economics to strategic competition between the United States and China: no matter how much progress the United States makes in strengthening its military and diplomatic perch in the region, allies and partners will question its resilience if it cannot play an enduring role in shaping Asia's economic evolution.

The United States will confront at least three challenges as it implements the IPEF:

- First, it must persuade Asian allies and partners that the United States can be economically competitive in the region even if it does not belong to major trade agreements such as the Regional Comprehensive Economic Partnership (RCEP) and the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP). Countries such as Japan and Singapore had wanted the United States to join the CPTPP, but domestic politics constrained the Biden administration's freedom of maneuver. The IPEF does not reduce tariffs or contain provisions for enhancing participants' access to the U.S. market, so some observers question how significantly it will enhance the United States' economic competitiveness.
- Second, Washington must assure ASEAN member countries that, despite the Quad's growing strategic importance, the United States will work with them closely and consistently to shape the region's economic evolution. While Australia, India, and Japan are increasingly aligned with the United States in attempting to contest China's regional influence, ASEAN member countries are generally more inclined to hedge in dealing with Washington and Beijing. A growing divergence between the Quad's vision of Asian order and that of ASEAN could limit the United States' ability to shape China's external environment.
- Third, the United States must articulate a vision of economic engagement that is perceived as being less about contesting China's initiatives than about promulgating its own. Thus, Singaporean prime minister Lee Hsien Loong has encouraged Washington to make the IPEF inclusive, rather than framed in "everyone but China" terms. He cautions that appealing to China's neighbors to shun Chinese engagement is "not just unrealistic, it is wrong."[54] Some observers argue that there is little that the United States can do to diminish the perception that its initiatives are designed in opposition to China. Indeed, as Washington has discovered in promulgating the Quad,

[54] Maria Siow, "Singapore's Lee Cautions U.S. Against 'Everyone but China' Approach in Asia Engagement, Says 'More Pleased' If Hong Kong Expats Stayed Put," *South China Morning Post*, April 11, 2022 ~ https://www.scmp.com/week-asia/politics/article/3173870/singapores-lee-cautions-us-against-everything-china-approach.

> even when it deliberately avoids mentioning Beijing in its public statements, China is conspicuous by virtue of its absence.[55]

These are formidable challenges, but one should not be too quick to understate the IPEF's potential. The thirteen participating countries account for roughly 40% of gross world product, and, impressively, seven of them—Brunei, Indonesia, Malaysia, the Philippines, Singapore, Thailand, and Vietnam—belong to ASEAN, an organization that is wary of entrapment in the steadily more systemic competition between the United States and China. The IPEF's "à la carte" design increases the likelihood that the framework will produce a steadily thicker latticework of cooperative, issue-based coalitions; participating countries can join any set of its four pillars (clean economy, connected economy, fair economy, and resilient economy). Finally, that the IPEF is a framework, not an agreement, means that it will be more insulated from the domestic politics that ultimately rendered U.S. participation in the TPP unviable. U.S. trade representative Katherine Tai observed that "a very, very strong lesson" of the United States' withdrawal from the TPP was that the agreement "ultimately was something that was quite fragile and that the United States was not able to deliver on, and that informs very much our thinking."[56]

If the IPEF steadily enhances U.S. economic competitiveness in the region, and if the United States can continue according top strategic priority to Asia, then Washington will have at least partially assuaged concerns about its commitment to and resilience in the region. But the Biden administration has to contend not only with a war of attrition in Eastern Europe that risks military conflict between NATO and Russia; with the odds of resuscitating

55 After last September's Quad Leaders' Summit in Washington, D.C., Carla Freeman, a senior China expert at the United States Institute of Peace, noted that "although the Quad's joint statement does not mention China, the initiatives and commitments it presents…make clear that the Quad intends to pursue a multifaceted agenda in the Indo-Pacific and beyond that competes with the economic, diplomatic, and hard security capabilities wielded by Beijing." See Carla Freeman et al., "What the Quad Leaders' Summit Means for the Indo-Pacific amid Rising Tensions with China," United States Institute of Peace, September 28, 2021 ~ https://www.usip.org/publications/2021/09/what-quad-leaders-summit-means-indo-pacific-amid-rising-tensions-china. Separately, before the IPEF was announced, Wendy Cutler, vice president of the Asia Society Policy Institute, explained that "whether Washington likes it or not, this initiative will be judged against China's recent move to join the CPTPP, which is real and substantive and provides tangible benefits in the form of improved market access to members." See Wendy Cutler, "The Needle Biden Must Thread: How to Compete in Asia Without a New Trade Deal," *Barron's*, December 16, 2021 ~ https://www.barrons.com/articles/biden-asia-trade-cptpp-indo-pacific-economic-framework-51639666833.

56 Jake Sullivan, Gina Raimondo, and Katherine Tai, "On-the-Record Press Call on the Launch of the Indo-Pacific Economic Framework," White House, May 23, 2022 ~ https://www.whitehouse.gov/briefing-room/press-briefings/2022/05/23/on-the-record-press-call-on-the-launch-of-the-indo-pacific-economic-framework.

the Joint Comprehensive Plan of Action declining, it must also consider the possibility of a military conflict between Iran and Israel that destabilizes the Middle East anew. Another, arguably more vexing, challenge for the administration is that Asian allies and partners can no longer depend on a baseline of continuity in U.S. foreign policy. No matter what assurances officials give, they cannot deny the possibility that Trump or someone who hews to his worldview will be elected president in 2024 and revert to the kind of "America first" transactionalism that significantly undercut U.S. influence in Asia during the Trump administration. One of the Biden administration's foremost tasks, then, will be to imbue the IPEF—and any other regional geoeconomics initiatives that Biden launches during his time in office—with sufficient "stickiness" that they cannot easily be reversed.

The third factor that will shape Asia's economic evolution is, of course, the calculus of China's neighbors. Intensifying strategic competition between the United States and China is of considerable concern for Asia. As Matthew Wale, the parliamentary opposition leader in the Solomons Islands, recently observed: "We don't want to be the grass trampled over by the elephants."[57] And were the region's worst nightmare to unfold—a U.S.-China war over Taiwan that could potentially drag in Australia and Japan—it would be exceedingly difficult, if not impossible, for China's neighbors to avoid taking sides.

At least for now, though, it is not clear how much the putative choice applies. Take trade: eleven countries that belong to the RCEP, China's preferred trade agreement, have joined the IPEF, and seven countries that belong to both the RCEP and CPTPP have joined the framework. Or take infrastructure: China's neighbors can secure infrastructure through BRI or through the newly established, G-7-led Partnership for Global Infrastructure and Investment. Beyond the reality that China's neighbors can and do combine Chinese and U.S. offerings, they have exercised significant agency in shaping Asia's economic order outside of the G-2 aperture through which observers too often appraise it. Consider, for example, that while the RCEP is often portrayed as "a Chinese trade agreement," it actually originated at the November 2011 ASEAN Leaders' Summit. When the United States abandoned the TPP, Japan organized the remaining countries and drove what came to be known as the CPTPP across the finish line. Little appreciated but highly significant is that many trade negotiations in the region involve neither Beijing nor Washington:

57 Matthew Wale quoted in Damien Cave, "Why China Is Miles Ahead in a Pacific Race for Influence," *New York Times*, June 1, 2022 ~ https://www.nytimes.com/2022/05/31/world/australia/china-united-states-pacific.html.

- In April, India inked an economic cooperation and trade agreement with Australia, and the two countries are looking to conclude a comprehensive economic cooperation agreement by the end of this year. India's comprehensive economic partnership agreement with the United Arab Emirates came into force at the beginning of May. Additionally, New Delhi is in FTA negotiations with Canada, the European Union, Israel, Taiwan, and the United Kingdom.
- Singapore signed an FTA with the Pacific Alliance (comprising Chile, Colombia, Mexico, and Peru) in January.
- ASEAN and Canada are expected to conclude negotiations over an FTA this summer.

In brief, neither Washington nor Beijing will be able to dictate Asia's evolution. Former State Department official Evan Feigenbaum explains that "China bulks larger as a trader, builder, and lender in much of Asia," but "economic integration is making Asia more 'Asian' and less 'Pacific' without it becoming the Sinocentric region that Washington fears."[58] Few of China's neighbors appear to be preparing for a scenario in which the United States or China manages to relegate the other to a marginal role in Asia. Washington cannot presently match Beijing's economic role there. Beijing, however, must contend with growing military, diplomatic, and technological coordination between five of the world's most powerful democracies: the United States, Australia, India, Japan, and South Korea. If one accepts that both the United States and China will endure as major Asian powers, then China's neighbors will have to continue interacting with them both. Those neighbors should take heart, though, that even as strategic competition between the United States and China intensifies, the two powers will have to court them intensely and continuously to wield enduring influence in the world's most consequential theater. ◈

58 Evan A. Feigenbaum, "Meeting the Challenge in Asia," *National Interest*, January/February 2021, 27 and 29.