

Evolving U.S.-China Confrontation and Its Geopolitical Implications

Ken Koyama, PhD
Chief Economist, Managing Director
The Institute of Energy Economics, Japan

Foreign, national security, economic, climate change and energy policies of the U.S. Biden administration inaugurated last January are attracting global attention as one of the most influential factors for the future world. Among its policies drawing the highest interest may be the China policy.

At a time when the Biden administration is widely expected to retain a tough attitude against China close to that of the previous Trump administration that launched a trade war with China and enhanced its tough attitude against that country, the new U.S. regime is actually implementing a tough China policy while emphasizing a new stance of giving greater priority to U.S. alliances.

On March 16, U.S. Secretary of State Antony Blinken and Secretary of Defense Lloyd Austin held talks with Japanese Foreign Minister Toshimitsu Motegi and Defense Minister Nobuo Kishi at the Japan-U.S. Security Consultative Committee. “The United States and Japan acknowledged that China’s behavior, where inconsistent with the existing international order, presents political, economic, military, and technological challenges to the (Japan-U.S.) Alliance and to the international community,” said a joint statement of the so-called 2+2 meeting. “The Ministers committed to opposing coercion and destabilizing behavior toward others in the region, which undermines the rules-based international system.” It was unusual for the secretary of state of a new U.S. administration to select Japan as the first country to visit, indicating that the Biden administration gave priority to Japan as a U.S. ally in consideration of China and wanted to express the above common acknowledgement at the first bilateral 2+2 meeting under the administration. In April, Japanese Prime Minister Yoshihide Suga will visit the United States to become the first foreign leader to have direct talks with President Biden. This also demonstrates that the Biden administration sees Japan as an important U.S. ally and has a basic attitude of implementing a strategic China policy along with Japan and other U.S. allies.

Secretary of State Blinken also participated in a meeting of foreign ministers of the North Atlantic Treaty Organization in Brussels on March 23. He apparently attempted to improve the United States’ relations with Europe and NATO strained under the Trump administration and cooperate with Europe in dealing with China. On March 22, the European Union imposed sanctions on Chinese officials and groups for serious human rights abuse in the Xinjiang Uighur Autonomous Region, banning their entry into the EU and freezing their assets in the EU. It was the first time for Europe to impose sanctions on China since an arms embargo on China over the 1989 Tiananmen Square Massacre. The United States, the United Kingdom and Canada joined the EU to take punitive actions against China, demonstrating that North America and Europe cooperated in taking a tough attitude against China. Behind the cooperation have been U.S. and European hopes to reconstruct and enhance the NATO alliance and the Biden administration’s priority given to human rights. Given the priority put on human rights, the Biden administration may take a far tougher attitude against China than the Trump regime in this area of the issues related to human rights.

The United States' and its allies' tough attitude against China has triggered harsh reactions from China. Beijing complained that the Japan-U.S. 2+2 statement represented serious interference with China's internal affairs and undermined China's interests. In retaliation against the EU sanctions, Beijing banned EU officials' travel to China and some EU companies' deals with China.

Between his visits to Japan and Europe, U.S. Secretary of State Blinken held talks with top Chinese foreign policy officials in Alaska on March 18 and 19, and they exchanged harsh accusations over human rights, Taiwan, Hong Kong, China's maritime expansion, cyberattacks and other topics even in a session open to the press. While some people viewed the tough and direct talks as significant for both sides, the meeting highlighted tough U.S.-China tensions and confrontation and reemphasized Beijing's resolute attitude of countering Washington's China strategy.

Cooperation between the United States and its allies in implementing a tough China policy has led China and Russia to approach each other in an important geopolitical development. In response to the EU's sanctions on China, the Chinese and Russian foreign ministers held talks demonstrating that their countries would reject U.S. and European interference with their internal affairs in the name of promoting democracy and human rights protection and would oppose unilateral sanctions. As the Biden administration takes a tough attitude against human rights abuse in Russia as well as China, Beijing and Moscow are keeping step with each other to oppose such U.S. policy and counter the United States and its allies.

Under U.S.-China tensions and confrontation, the world is expected to see the United States and its allies continuing tough geopolitical tensions with China and Russia, exerting various impacts on the international situation, geopolitics and the global economy. In a world under tough geopolitical tensions, national security may be put first, making it difficult to pursue global economic efficiency. Each country may base economic and trade policies on national security and foreign policies giving top priority to itself and its allies. Then, the global economy may deviate from economically optimum solutions, exerting downside pressure on economic growth.

The IEEJ Outlook 2021, released last October, took up this issue as part of the "Post Corona World Transformation Scenario." It estimated that if the global economy, trade and supply chains deviate from economically optimum solutions with national security given top priority under high geopolitical tensions, global GDP in 2050 would be 10% less than in the Reference Scenario. If supply chains are relocated under the emphasis on national security and the deviation from economically optimum solutions, national economic growth would undergo relevant impacts. Economic growth would decelerate in China from which supply chains will be relocated, but accelerate in India and the Association of Southeast Asian Nations to which supply chains will be relocated, according to the outlook.

The economic growth deceleration and gaps in its impacts on major countries could exert great influences on the international energy landscape. First, global economic deceleration would lead to energy demand deceleration. Given that social transformation through the COVID-19 pandemic is considered as the important factor for the estimation, oil demand would be affected most seriously. Oil and other energy demand deceleration would lead the supply-demand balance to ease, exerting downside pressure on international energy prices. In this process, energy demand's shift from China to India and ASEAN over the long term would have significant impacts on the international energy landscape and energy geopolitics.

Regarding similar impacts and implications, Royal Dutch Shell plc in its recent Energy Transformation Scenarios indicated that economic growth and energy demand in the Island's scenario in which security will be put first under rising nationalism would be more sluggish in other scenarios including the Wave scenario in which economy will be put first and the Sky 1.5 scenario in which health and environment will be put first. The Island's scenario covers factors that exert various impacts on the supply-demand balance and energy prices in international energy markets and on climate change countermeasures.

While the future of the world is full of uncertainties, the current international and geopolitical tensions including the U.S.-China confrontation are set to exert various impacts on global economic problems. In this sense, we must carefully watch future developments.

Contact: report@tky.ieej.or.jp

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