

China's New Trade Strategy amid US-China Confrontation and Implications

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I. Introduction

As strategic competition between the US and China intensifies, uncertainty in the global trade environment is increasing. In 2011, the Obama administration in the US announced a pivot to Asia strategy, signaling the beginning of a check on China. The Trump administration imposed punitive tariffs on Chinese products on the grounds of the US trade deficit with China, which intensified the trade conflict between the US and China. After that, it expanded to China's technological and financial sanctions, and all-round checks including diplomatic and security started outside the realm of economic and trade. Contrary to China's expectations, the Biden administration, which was launched in 2021, is also expanding the front of China's containment, such as multilateralism, use of alliances, and emphasizing values norms, while succeeding Trump's policy of containment to China.

In 2021, China has reached the point of entering a new stage of socialist development by declaring the achievement of the goal of building 'a comprehensive well-off society'. Since the reform and opening up of China, the paradigm of economic and social development is facing the greatest turning point from 'getting rich first' to 'common prosperity'. As the US checks on China intensify during this period of economic transition in China, China is pursuing a new trade strategy to respond to it.

In order to understand the changes in the global trade environment in the era of the US-China conflict, it is necessary to understand both the US checks with China and China's trade strategy to respond to them. Most of the recent US-China conflicts are analyzed from the perspective of the US checking in with China, but it is necessary to take a balanced look at what kind of countermeasures China is seeking in order to

correctly forecast and prepare for changes in the global trade environment in the future.

II. The Biden Administration's Strategy for China

With the rise of the Chinese economy, the US' perception of China has shifted from a 'cooperation partner' to a 'strategic competitor' defined as a threat to US national and economic security. The US check on China has been in full swing under the former Trump administration, and the US Biden administration is expanding its pressure front on China. Accordingly, we looked at the check-in with China, which the US is promoting, in terms of high-tech check, supply chain stability, and new trade norms (digital trade, labor, environment).

The Biden administration's strategic stance toward China emphasizes the correction of China's unfair practices and a comprehensive and systematic approach to safeguard national and economic security. By utilizing various means such as entity list, export control, strengthening foreign investment screening, and financial sanctions, it is checking China's advanced technology that may threaten the national security of the United States.

In addition, in the course of strategic competition with China, it is promoting the establishment of a stable supply chain in the United States by reviewing the supply chain for key industries related to national security such as semiconductors, batteries, core minerals, and pharmaceuticals in the United States.

Unlike the former Trump administration, the Biden administration is emphasizing joint response and pressure with its allies. The Trade Technical Committee (TTC) was operated with the EU, and the Indo-Pacific Strategy, Quad, and AUKUS were used to build a pressure front for China.

In terms of global trade norms, they are taking the lead in digital trade rules to check China's digital overseas expansion and lead the digital trade order in the Asia-Pacific region, while also putting pressure on China through worker-centered trade policies. The Biden administration's strategy for China can be summed up as leading the world trade order, including new trade rules, by focusing on national and economic security, responding jointly with allies who share values and trust.

III. Changes in China's Trade Strategy 1: Strengthening Economic Security

China proposed 'a dual circulation strategy' in the 14th Five-Year Plan, which is intended to minimize external risks by transforming the Chinese economic structure to enable independent domestic circulation as economic security is emphasized in order to respond to the US checks on China. Accordingly, China's trade strategy is shifting from the existing global production base and export expansion focus to emphasizing supply chain stability and creating a huge domestic market.

The Chinese government plans to promote technological independence, foster core industries, and stabilize strategic resources to stabilize the supply chain. To this end, China's trade policy is promoting the enhancement of the localization rate and competitiveness of China's technology and core industries through the advancement of trade and investment.

China plans to raise its status in the global market by nurturing the Chinese domestic consumption market in order to reduce its dependence on foreign countries in terms of demand. To this end, China is promoting import tax preferential policies, expansion of service trade, and creating new business models for foreign trade through digitalization and smartization.

In addition, by reducing the negative list in areas such as high-tech industries, digital industries, and service industries that are necessary for the advancement of China's economic industry, it is expanding the market opening by easing the barriers to entry for foreign investment.

Also, we looked at the establishment of a cooperative platform (FTZ, state-level events, etc.), as well as the revision of laws and systems to expand the attraction of foreign investment in China. China's trade strategy is undergoing fundamental changes as it is pursued in connection with the economic and security strategy in response to the US's checks.

IV. Changes in China's Trade Strategy 2: Build a Local Network

China's regional network strategy is being promoted through FTA network and Belt and Road Initiative (BRI) cooperation. China's FTA network establishment has been actively pursued with neighboring countries or developing countries, mainly for the purpose of revitalizing China's trade and investment. However, since the US-China conflict, geopolitical factors other than economic motives have become more important, and competition for leadership with the US in the Asia-Pacific region is intensifying.

In addition to bilateral FTAs in the Asia-Pacific region, China is actively participating in regional FTAs such as RCEP and CPTPP. In particular, China's application to join the CPTPP can be interpreted as considering the geopolitical purpose as well as the aspect of establishing a high-standard FTA.

BRI is another important economic cooperation platform in China-led regional network construction. BRI is facing a new change in response to US checks. The existing BRI was promoted with the main purpose of revitalizing trade and investment between China and neighboring countries and linking infrastructure. However, the implementation of BRI has been somewhat delayed due to internal and external obstacles such as checks from advanced countries such as the United States (Indo-pacific

strategy, B3W, Global Gateway, etc.), dissatisfaction of partner countries (debt trap, environmental/labor issues), project inherent problems (deteriorating profitability, increase in Chinese corporate debt), and the outbreak of the COVID-19 pandemic.

To overcome these US checks and other problems, China is emphasizing compliance with international norms, transparency, and sustainability in the project implementation process, and is seeking to expand the scope of cooperation to digital, green, health, and medical care. In addition, China plans to strengthen cooperation in global governance such as standards and norms by utilizing the BRI. Lastly, as the competition for leadership in the Asia-Pacific region between the US and China intensifies, the strategic value of ASEAN is expected to increase further, and in particular, the competition for regional bloc between the US and China in ASEAN is expected to expand.

V. Changes in China's Trade Strategy 3: Leading Global Trade Governance

One of the changes in China's trade strategy during the US-China conflict is the shift to an active stance, emphasizing China's role as a rule maker in the global trade order. Since joining the WTO, China, as a rule taker of global trade norms, has maintained a passive and defensive attitude in establishing norms.

Since joining the WTO in 2001, China has been constantly sued through the WTO dispute

settlement system. However, this also served as an opportunity for China to understand the WTO system and the trade policies of its member countries, and to incorporate it into the international trade order relatively quickly. China took advantage of this as an opportunity to learn and train on dispute resolution, as well as learn know-how such as strategies and technologies utilizing the international trade order between member countries. On the other hand, while acquiring various information on international trade, it was also used as a channel to acquire information on how to adjust the domestic legal system of WTO member countries in accordance with international norms. The Chinese government currently intends to actively participate and lead the enactment of global trade governance based on these experiences and learnings.

China's strategy to lead the global trade norms is expected to be pursued in four directions: participation in WTO reform, promotion of internal reform through high-level norms, establishment of a regional network centered on developing countries, and participation in the enactment of new trade rules through the revision of domestic laws.

At this stage, the direction and will of China to lead the international trade order and norms have been confirmed. It is still difficult for China to play the role of leading the high standards, and it is expected that China and developing countries will try to reflect their position in the trade norms through cooperation with developing countries.

However, it is expected that the Chinese FTZ will be used as a test bed for international norms in order to introduce a high level of norms, promote domestic reform to meet high global standards, and actively participate in the establishment of norms in the new commerce sector by reorganizing the domestic legal system.

VI. Implications

The implications for Korea through the changes in China's trade strategy in the era of US-China strategic competition discussed above can be considered as follows.

First, in the era of US-China conflict, it is necessary to establish a trade strategy in consideration of economic security along with a new awareness of economic security. It is necessary to review and improve Korea's export control system, foreign investment monitoring system, and supply chain stabilization policy by referring to the strengthening of economic and national security reviews of major countries around the world.

Second, it is necessary to promote a regional network establishment strategy based on the national interest of Korea. In preparation for the competition for leadership in the Asia-Pacific region between the United States and China, it is necessary to establish a high-standard regional network that the Korean economy and industry can upgrade to one level. Active diversification strategies should be pursued, such as stabilizing Korea's supply chain and expanding

export markets by expanding Korea's regional network to ASEAN, India, Africa, and Latin America. In addition, it is necessary to prepare a plan to utilize the Korea-China FTA and the Korea-China-Japan FTA to serve as a test bed for global new trade norms such as digital trade and climate change response.

Korea must also actively respond to new trade agendas and norms such as digital trade and climate change in order to create a favorable trade environment for Korean companies. In addition, it is necessary to thoroughly prepare for the newly emphasizing trade norms issues, such as forced labor led by the Biden administration in the United States. To this end, it is necessary to strengthen monitoring of the US legal system and sanctions against China, while devising a plan to support Korean companies in reorganizing China's legal system in response to US checks. **KIEP**