

China's Responses to a Changing External Environment

14th Annual Queen's Institute on Trade Policy

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Growing External Hostility

- Section 232 investigations
- Tariffs
- Investment screenings
- Indo-Pacific Economic Framework (IPEF)
- Export controls
- CHIPS and Science Act

China's Responses

I. Retaliate

II. Diversify

III. Securitize

I. Retaliation

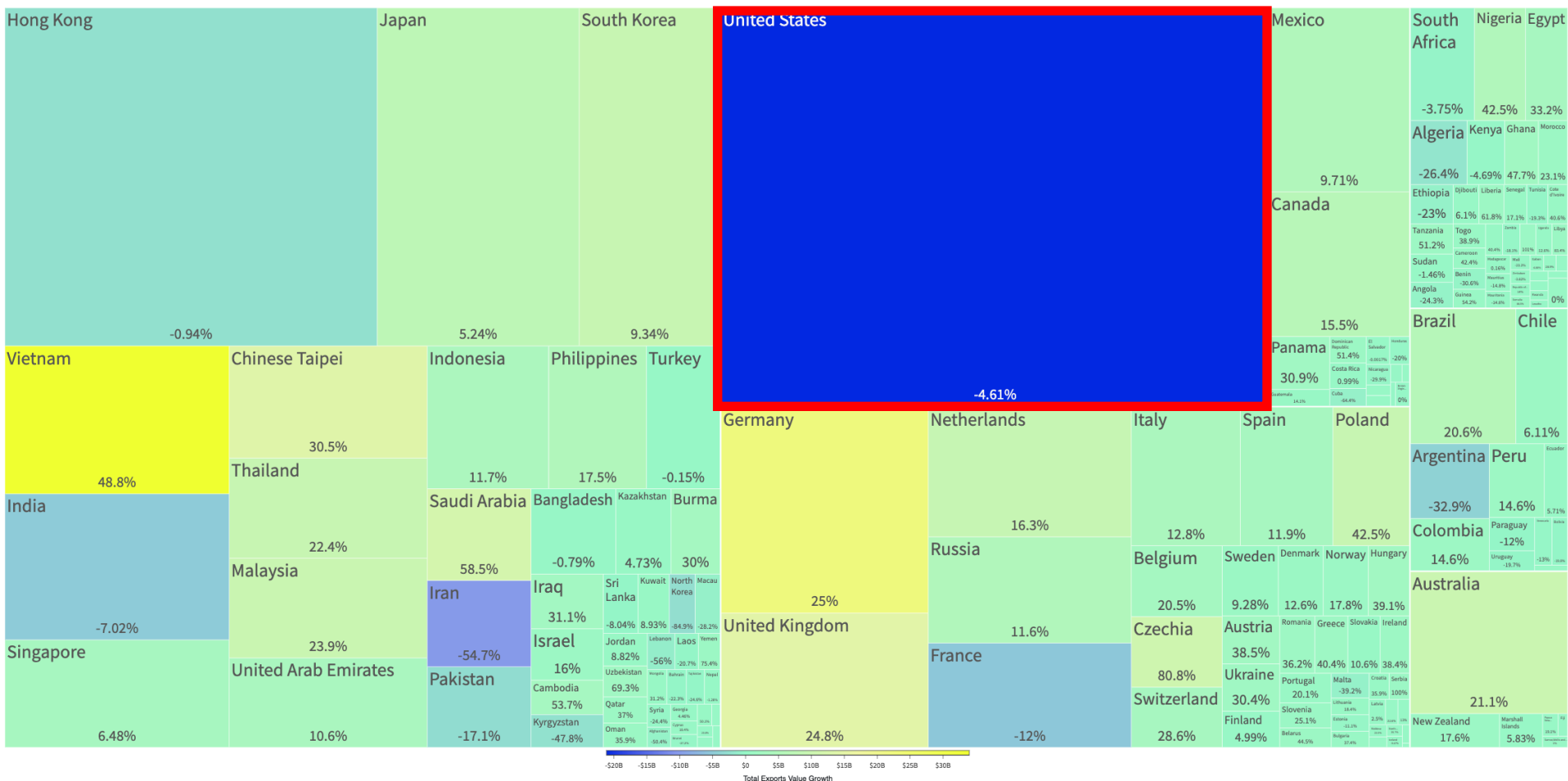
- Carefully calibrated
- Non-escalatory
- Consistent pro-trade rhetoric in *People's Daily*
- Less than proportionate in some cases

II. Diversification

- Regional Comprehensive Economic Partnership (RCEP)
- Belt and Road Initiative
- New FTAs:
 - China-Cambodia FTA (2020)
 - China-Mauritius FTA (2019)
 - China-Maldives FTA (2017)
 - China-Georgia FTA (2017)
- Deepened FTAs:
 - China-New Zealand FTA upgrade (2021)
 - China-Pakistan FTA second phase (2019)
 - China-Singapore FTA upgrade (2018)
 - China-Chile FTA upgrade (2017)
- CPTPP application (2021)
- Digital Economic Partnership Agreement (DEPA) application (2021)
- 20th Party Congress: Continued emphasis on trade liberalization

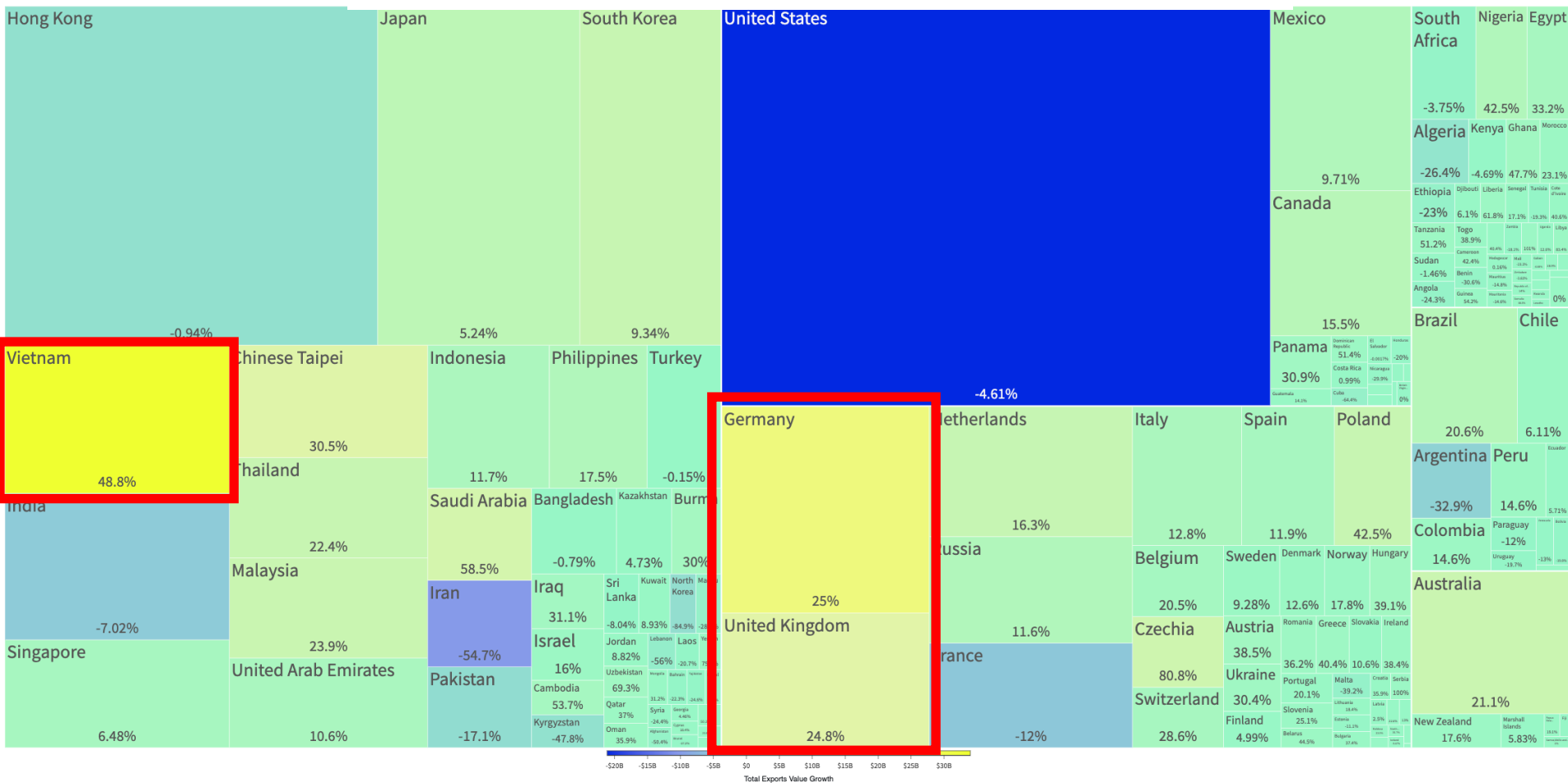
II. Diversification

China's Total Export Growth by Market (2017-2020)



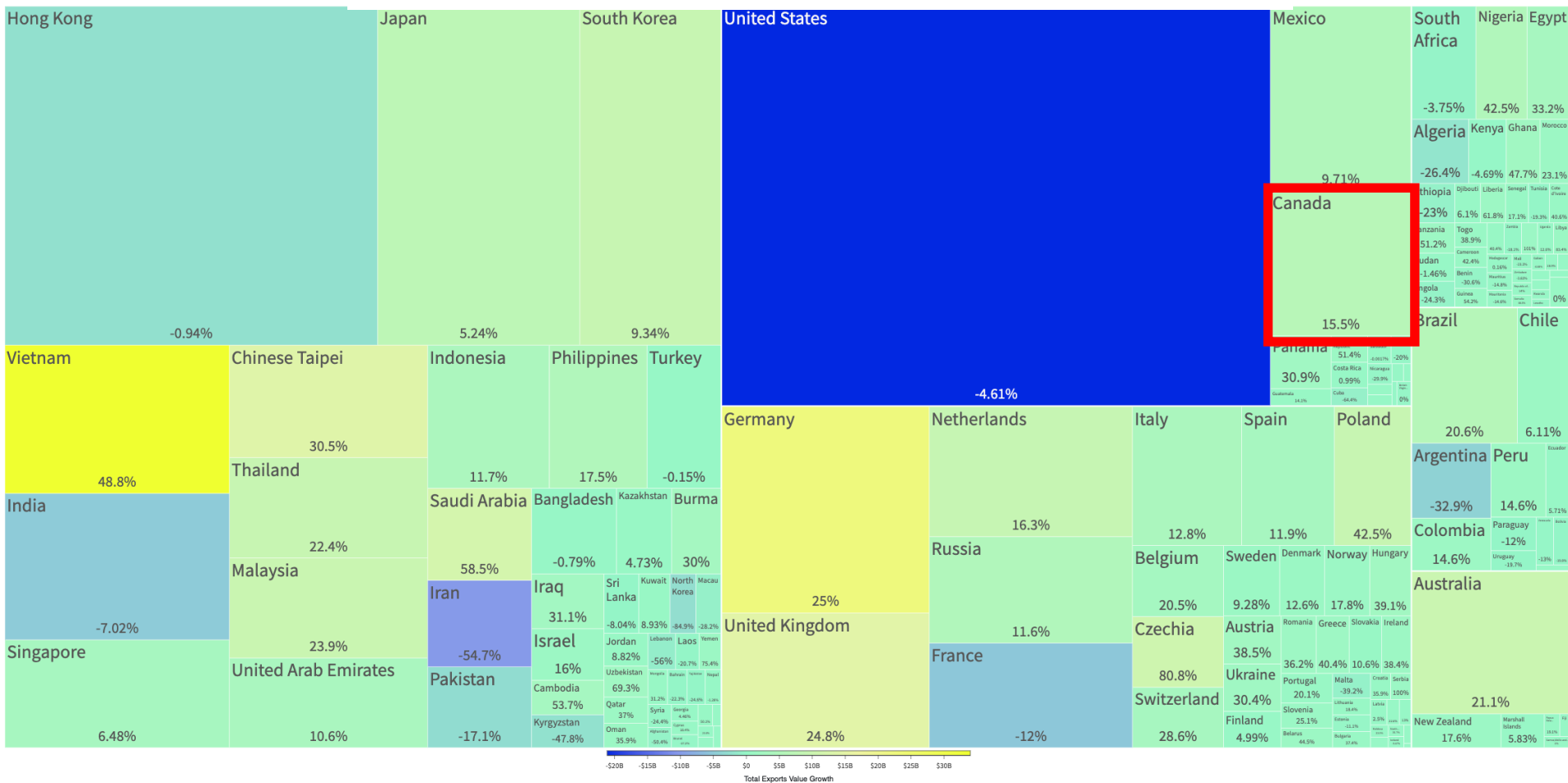
II. Diversification

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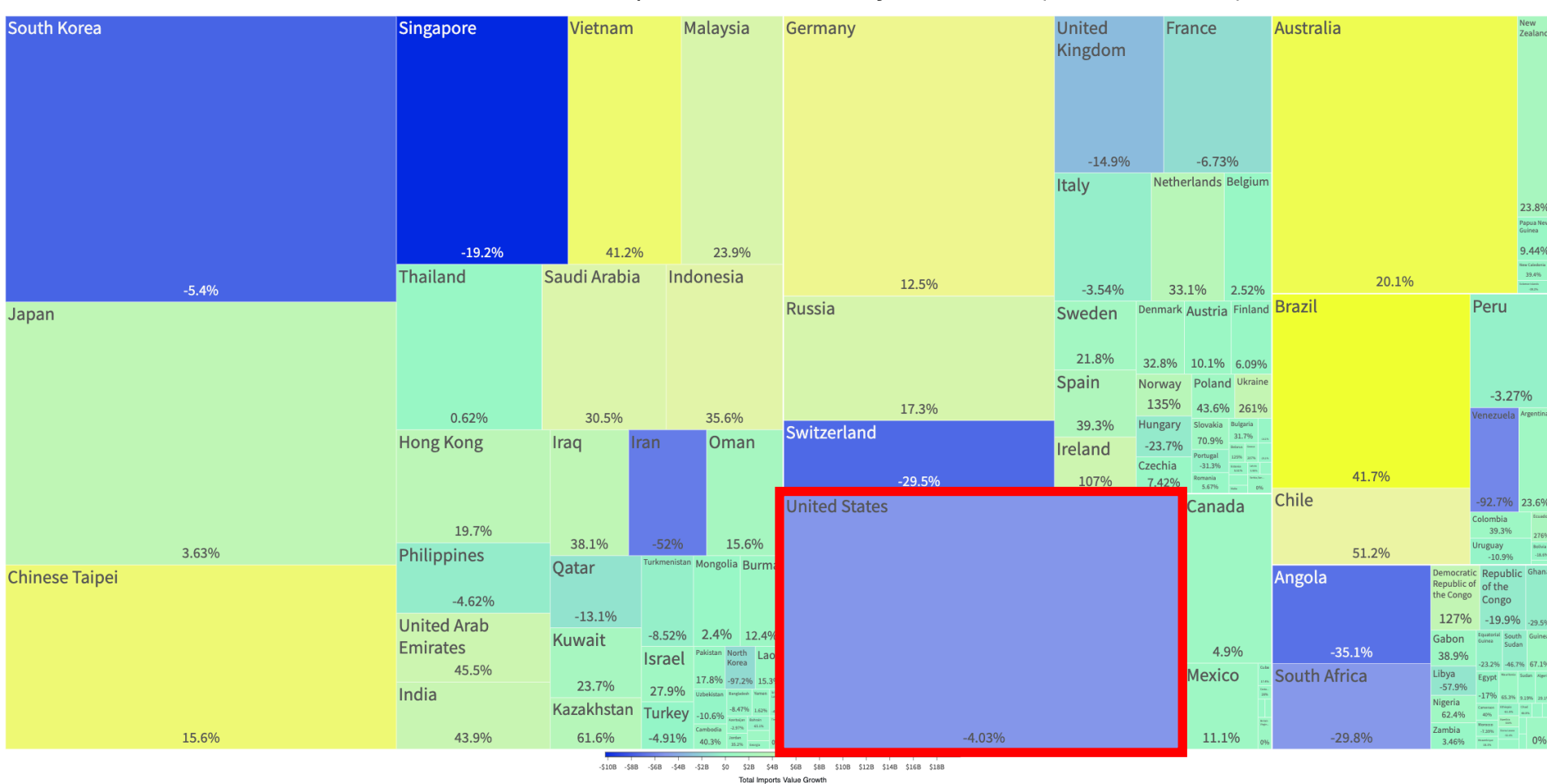
China's Total Export Growth by Market (2017-2020)



Source: oec.world

II. Diversification

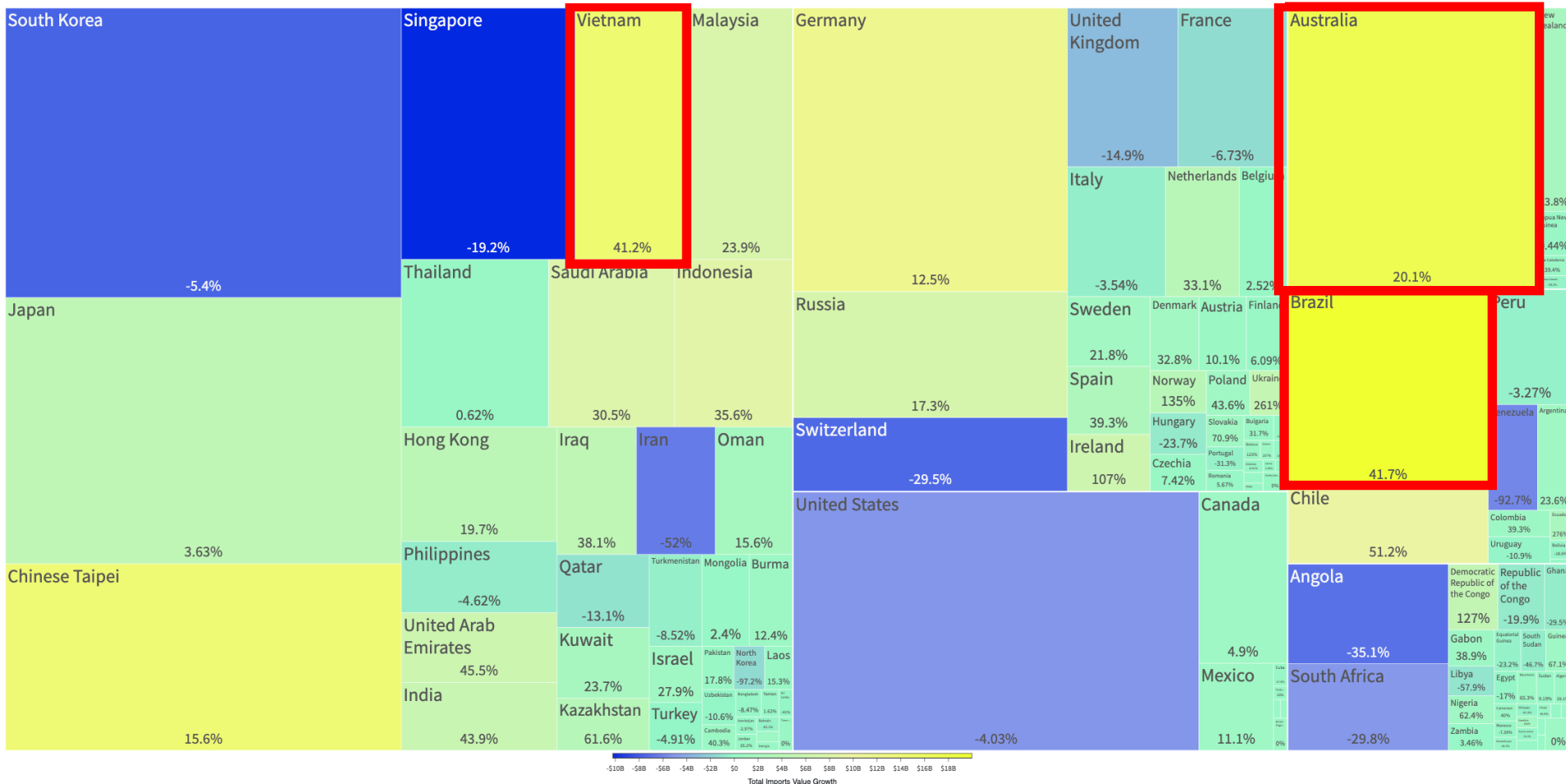
China's Total Import Growth by Market (2017-2020)



Source: oec.world

II. Diversification

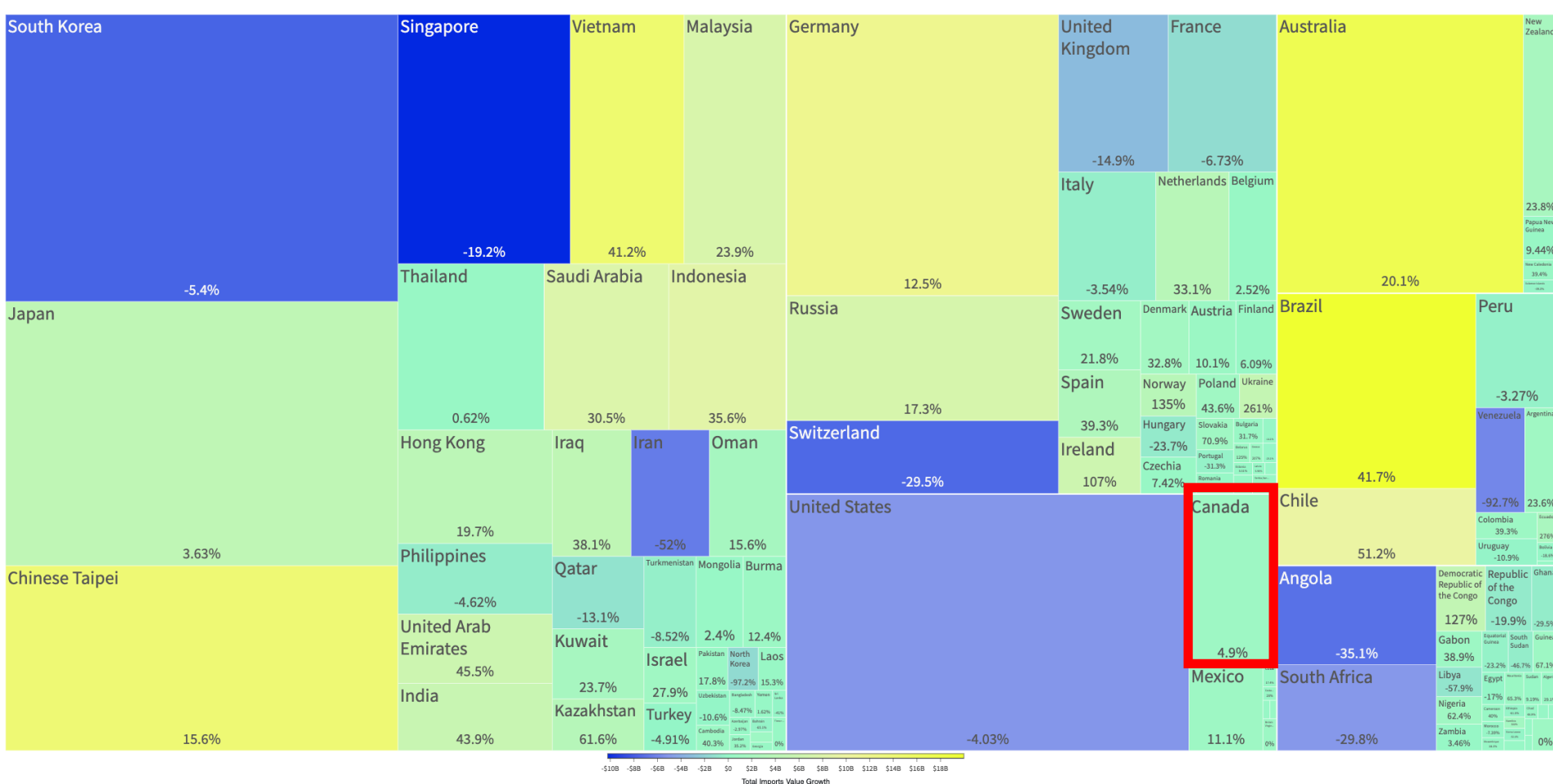
China's Total Import Growth by Market (2017-2020)



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II. Diversification

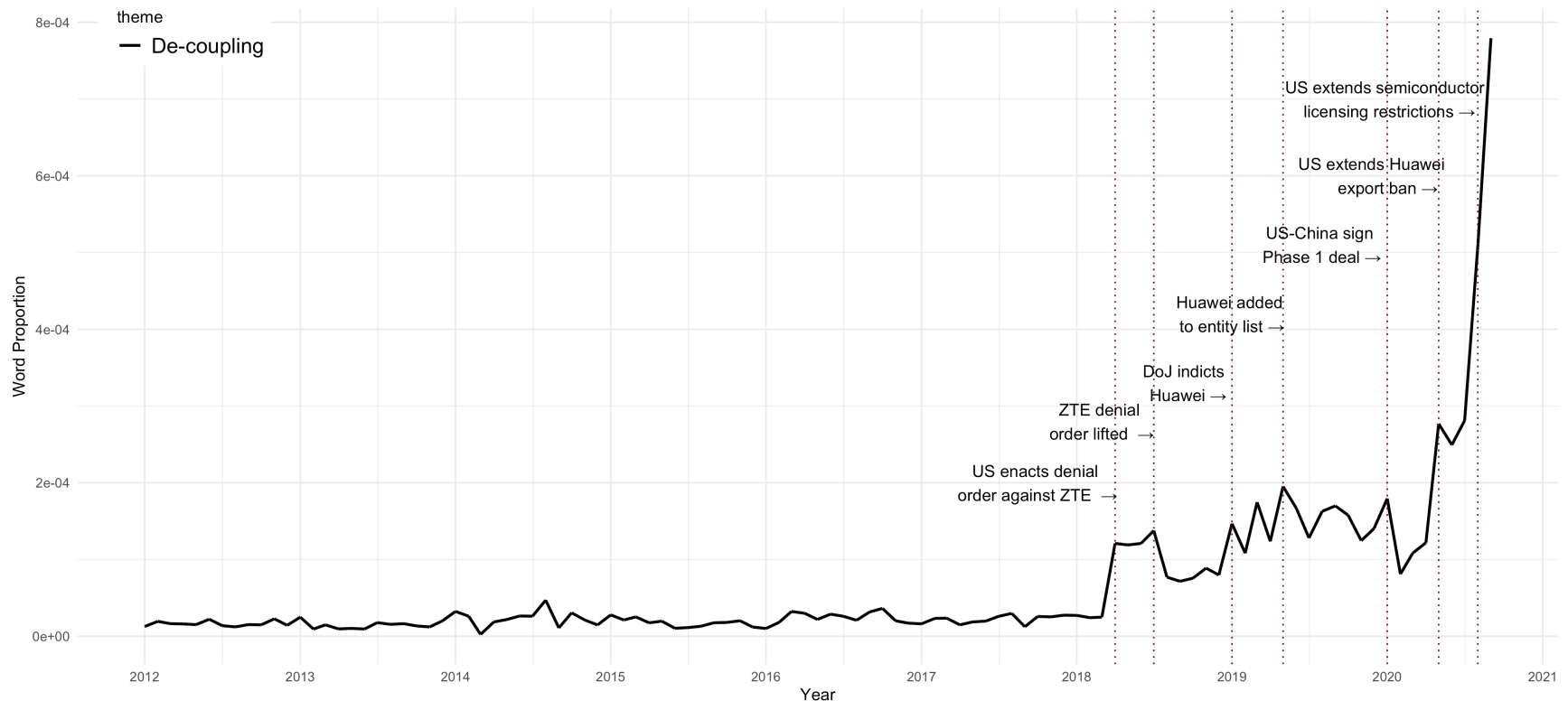
China's Total Import Growth by Market (2017-2020)



Source: oec.world

III. Securitization

- Shift in elite thinking: integration as a source of vulnerability

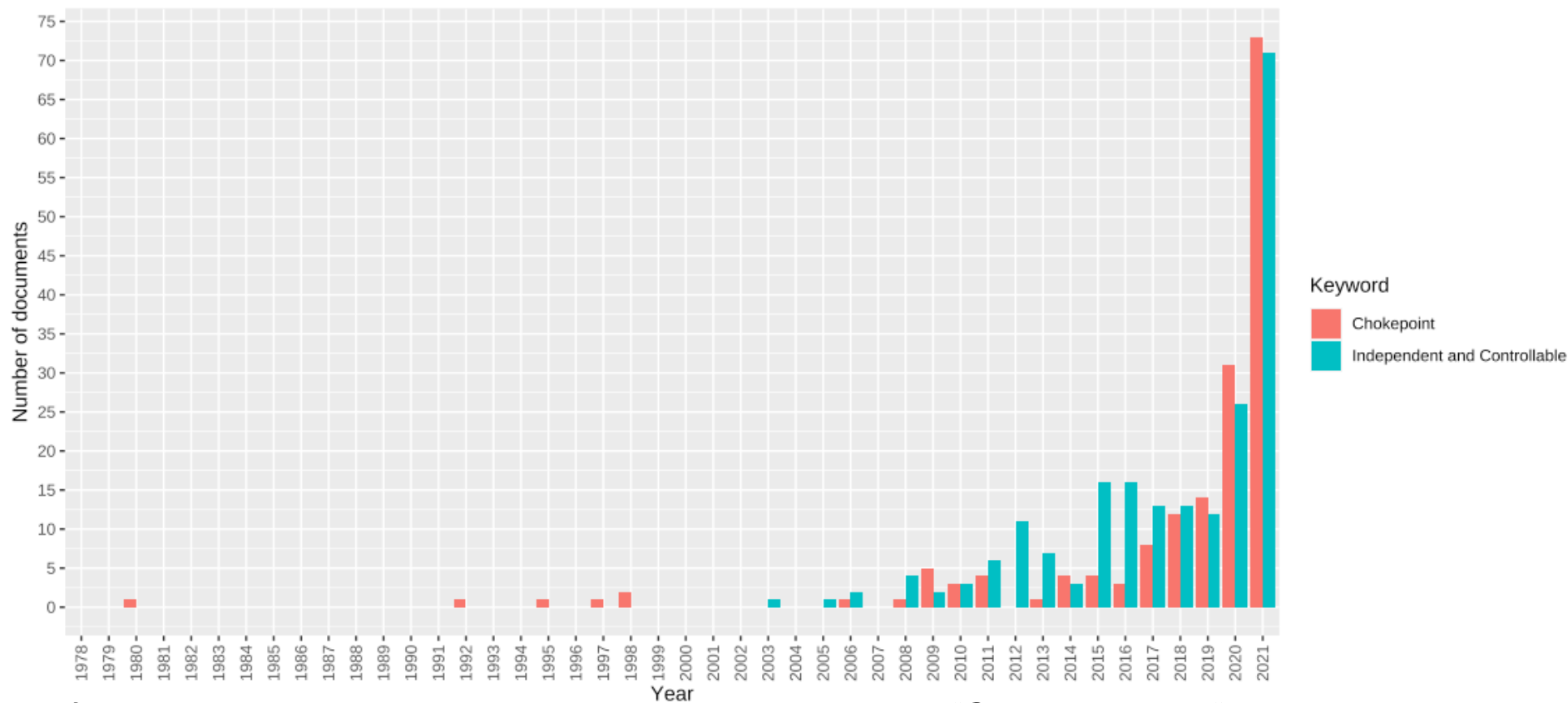


Prevalence of de-coupling language in Chinese official media

Source: Author's data; on-going work with Dallas, Farrell & Newman

III. Securitization

- Increasing policy emphasis on economic vulnerabilities and strengthening self-reliance



of central government documents containing the phrase “Chokepoint” or “Independent and Controllable”

Source: Author's data; on-going work

III. Securitization

Shift in guiding principles for the economy:

Xi Jinping's speech on the 2021 14th Five Year Plan

- “Security” mentioned 17 times
- “**security** is a prerequisite for development, and development is a guarantee of **security**.”
- “integrate development and **security**”
- “put the maintenance of national **security** in a more prominent position, build solid national **security** defenses, substantially protect national economic **security**, (and) maintain social stability and **security**.”
- National strength needed in “**actively responding to the challenge of shocks brought about by shifts in the external environment**.”

III. Securitization

- Solidification of the “containment” narrative
- *People's Daily* response to IPEF launch:
 - an “attempt to create a ‘small circle’ to contain China.”
 - designed to “serve ‘America's First’ and safeguard American hegemony. Its essence is to create division, incite confrontation and destroy peace.”

III. Securitization

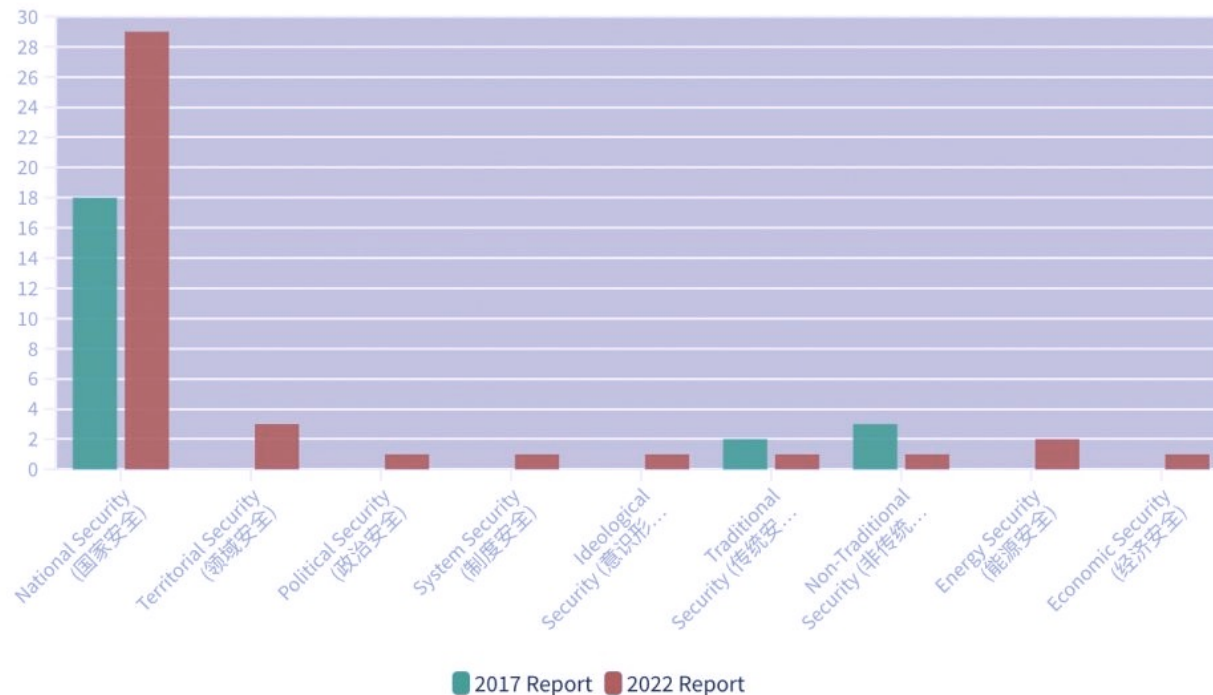
- Formal shift in the CCP's threat assessment
- Xi Jinping's 20th Party Congress report:
 - “Our country has entered a period when strategic opportunity **coexists with risks and challenges, and uncertainties and unforeseen factors are rising**”
 - “the world has entered a period of turbulence and transformation.”

III. Securitization

Shift in the CCP's guiding principles:
Expansion of a security framing

"Security" at the CCP National Congress

Plotting the number of occurrences of "national security" and related keywords in 2017 and 2022



Implications

China's multi-faceted responses

- Retaliate without escalation
 - Diversify
 - Securitize
- } Dual circulation

Implications

Dual Circulation

- Doctrinal formalization of long-standing trends/concerns
 - Tension between gains from globalization and vulnerability to external shocks
 - Easier said than done (clashing domestic interests)
 - How to calibrate the “optimal” balance between external & internal?

Implications

- US-China securitization spiral
- US actions fuel a containment narrative in China → justifies further securitization → negative feedback loop to US
- Whose strategic interests does this serve?
- Need for a clear articulation of the desired political and economic relationship with China
- “Competition” is a stance, not a strategy