China’s Responses to a Changing External Environment

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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)

Source: oec.world
II. Diversification

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

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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

Source: CCP Political Reports, 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