

Cold War of the 21st Century

By

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The pandemic is reshaping world politics. Transformation in relations between the United States and China — the defining feature of the new century global order — is no exception in these unprecedented times. Amid strategic distrust, misperceptions and simmering tensions; political, economic and trade matters continue to be the centrepiece of recent developments. The deterioration in relations is plummeting to its lowest in previous years by way of an extended Chinese outreach in the region and beyond, particularly in the aftermath of Belt and Road Initiative's massive scale-up.

As the U.S. comes closer to the presidential elections slated for November 2020, it will be useful to gauge several facets of a conceivable shift in the power relations of these two poles (US & China) that compete and cooperate in a unique manner in the international political arena.

Against the backdrop of criticism, hard-hitting rhetoric and rising differences on the dynamics of coronavirus's spread, the U.S. announced the formation of a new China Task Force last month. It is comprised of key House Republican lawmakers to investigate the origins of coronavirus. The task force will work to bring members together on the origin and spread of the pandemic. This issue 'has become bitterly partisan in Congress' over accusations of scapegoating others and distracting the public from an unsatisfactory performance.

Other matters on the task force's list include tackling Chinese 'influence activities inside the U.S., export control and foreign investment screening, efforts to take over international organization, control over crucial supply chains, the organizational presence on American campuses and economic aggression'. Trade relations unceasingly remain in the spotlight.

Earlier in 2019, there were several issues to lock horns. China owned 16 per cent (USD 1.09 trillion) of total U.S. public debt while the American trade deficit with China stood at around USD 345.6 billion. Just before the pandemic hit the U.S., there was a glimmer of hope that there would be an agreement with China on Phase 1 trade deal.

US-China Phase 1 trade deal: key takeaways of the compromise

The Phase 1 deal envisages cutting some U.S. tariffs on Chinese goods in exchange for the latter's pledge for an increased purchasing of American farm, energy and manufactured goods. Likewise, the deal could address the American complaints about Chinese practice of violations of intellectual property rights to the tune of USD 200 billion over the next two years. U.S. tariffs placed in December on around USD 160 billion worth of Chinese goods and China's retaliatory tariffs were suspended for an unspecified period.

Overall, the deal seeks to protect the interests of both parties in a compromise. It promises more investments and legal protections for American companies and increased imports, particularly of financial services, for Chinese markets. It also refrains China from acquiring foreign technology to support its industrial plans and targeting competitive currency devaluations and exchange rate for trade advantage.

Earlier on, a tit-for-tat application of trade tariffs had impacted nearly USD 700 billion in goods flowing between the two countries through the previous two years of trade war. Nonetheless, the economic impact of Covid-19 could not be anticipated at the time of Phase 1 deal – thus, a new round of tiffs and negotiations is an ongoing spectacle.

Post-Covid-19 scenario: trade pact under threat?

The New York Times reported in the first half of May that since the pact was signed, China had increased its imports of American food but the overall imports of goods had fallen short of the initial hopes. The fear of a worldwide economic calamity, however, lies in wait more than ever given the huge stress of Covid-19 on trade, transactions, production and supply chains.

China's growth rate is undergoing a rare decline in decades while millions of Americans wait on healthcare and financial stimuli. It will be a herculean task to meet purchasing targets in a situation fraught with weak supply chains, imprecise production demand and diminishing consumption unless more efficiency or viable substitutes are placed compatible to the new change in the global trade order.

Political maneuvers exist adjacent to economic deals. Amidst diplomatic overtures, Washington's China view keeps oscillating between commendation and condemnation. Regardless of the Phase 1 agreement, the American threat to scrap the deal by increasing tariffs and export controls for Chinese firms still lurk over the pandemic-stricken horizon. President Trump suggested that the White House would be skeptically watching whether China 'was living up to its commitments under the truce'.

Stephen Olsen, a research fellow at Hinrich Foundation and a former U.S. trade negotiator comments that President 'Trump was previously working in the knowledge that the phase one trade deal was going to be an electoral asset, but the pandemic has upset the apple cart. Now striking a deal with China does not look politically beneficial. Joe Biden senses an opening that Trump could be portrayed as being soft on China'.

Likewise, a policy paper published by the White House in May chalks out a 'competitive approach' for China 'based on a clear-eyed assessment' of bilateral relations. While playing down any intent to 'disengage' or 'contain China's development', the 'U.S. sees no value in engaging with Beijing for symbolism and pageantry... when quiet diplomacy proves futile, the United States will increase public pressure on China'.

The Secretary of State, Mike Pompeo, remarked before the report's release that 'the media focus on the current pandemic risks missing the bigger picture of the challenge', while the State Department announced the sale of MK-48 Mod 6 Advanced Technology Heavy Weight torpedoes worth USD 180 million to Taiwan.

A new cold war?

As the two countries continue to spar, the level of hostility is spiralling around issues of the pandemic, trade barriers, misinformation campaigns, WHO, Hong Kong, South China Sea and so forth. It will simply fray more in the near future if left unrestrained. Likelihood of a 'new [Cold War](#)' is a common rhetoric among various circles in Washington – both sides though avoid direct criticism of each other's leadership.

As observed by CNBC, 'while pushing back on China, [President] Trump has sometimes uttered contradictory statements. He has talked about having a great personal relationship with Chinese President Xi Jinping, yet has repeatedly denounced China for not doing more to stop the virus from spreading across the world. He'll criticise China, then say he wants Beijing to sign Phase II of a trade deal and join the United States and Russia in a three-way nuclear arms control treaty'.

The evolving dynamics of U.S.-China relations jiggle stock markets and macroeconomic drifts, thus affecting the world business in entirety. They also perpetuate fears among relevant political and trade circles. This impact demands prudent and incisive decisions and actions by both. Crises are there to check the actual strength and reliability of a particular system of governance and broadly the operative global order.

The U.S. being the existing great power and China the emerging one must bear the burden of lessening the risk of bilateral 'miscalculation' and 'misunderstanding' that can lead to a multilateral impact. Coherent and reliable political processes are pertinent for a restored bilateral course of action.

Coexisting despite misunderstandings; prospects of cooperation exist

Thomas Christensen at the Brookings believes that both states should seek cooperation in six key areas: 'to share best practices to stem the further spread of the coronavirus; to develop effective vaccines at the earliest possible date; to prepare in advance for mass manufacturing and global distribution of vaccines that are developed; to assist the neediest countries in fighting the disease; to manage debt crises and combat famines in the developing world that might result from the pandemic; and to preserve global trade

by privileging diversification of supply chains and national strategic reserves over economic nationalism and less efficient forms of production’.

‘China’s past does not die away so easily, nor does our involvement in it’, identified the American maven John Fairbank in his 1968 book, *The Chinese Order*, well before U.S.-China rapprochement. The observation stands validated even till today.

Notwithstanding numerous conditions and challenges, the two nations are co-existing and keep engaging on key global fronts. Their intentions and behaviours along with complex interactions carry far-reaching implications. Stability in relations is however often lost to the broader chessboard of strategic and economic imperatives. The advent of Covid-19 has exacerbated competition, and the probability of a conflict is not being overruled even by leading experts of world politics. A balanced equation of their bilateral relations is thus significant for a peaceful and developed international order.

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