U.S-China Competition in the post-Covid World:

Globalization at a Cross-roads

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Executive Summary

Strategic competition between the United States and China had been deteriorating much earlier than the Covid-19 outbreak in 2020. However, in the past, despite intense political rivalry and geostrategic competition, policy communities and societies in the two countries have maintained active and robust engagement and dialogues. Much of the dialogues focused on complaints against each other’s behavior and intentions. Nonetheless, such dialogues kept information and concerns flowing between the rival powers. Concerned third-party actors often play stabilizing roles by communicating potential fragilities between Washington and Beijing. In short, pre-Covid, strategic rivalry between China and the U.S was intense, but it was moderated by policy actors and societal openness.

Covid 19 has severely challenged the geopolitical environment surrounding China and the United States. Both countries experienced the worst public health and economic crisis in a century. And yet, termination in international travels and policy exchange between China and the U.S have further intensified the bilateral rivalry and made global cooperation hopelessly difficult to attain, at a time when such cooperation was most needed.

In the United States, moderate groups whose work depends on bilateral travels and exchange have been marginalized, and common narratives on China are taken over by more extreme views. On one extreme, the views emphasize China’s triumphalism—seeking to lead globalization toward Chinese interests and values. On the other extreme, the views stress China’s potential implosion—Communist rule on the verge of internal explosion due to social-economic challenges from the pandemic. In the context of extreme views, the real voices and actions of China’s policy communities during its Covid cycle have been understudied and discounted, with damaging effects on the U.S response to the virus, to economic recession, and ultimately to future trends in globalization.

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Introduction

The U.S-China great-power rivalry has had a long coming.\(^2\) Over the years before Covid, the United States had debated how to cope with the rise of China. The geo-strategists called out the failure of “engagement policy” and called for active decoupling with China; the area specialists, while being disappointed at the authoritarian turn in Beijing’s leadership, preserved faith in dialogues and exchange. In the early years of the Trump administration, the hawkish strategists were ascendant, and long-term area scholars were on the defensive. China’s Belt and Road initiative (BRI) became the focal point of geopolitical competition, yet it also became a major boost in the study of China’s outbound investment and lending in the BRI countries and beyond. In order to manage the rivalry and watch out for negative ramifications, policy and professional dialogues between China and the United States were frequent and somewhat influential. In late 2019, exchange and interactions among bureaucrats, think tank scholars, and business groups in the two countries and others reached a new height. Under the joint influence of these professionals, the BRI strategy went through moderation and soft institution building at the 2\(^{nd}\) Summit in Beijing.

In other words, U.S-China relations had been contested way before Covid, but policy communities in both countries and others have kept the exchange and dialogue ongoing. The leadership had been open to such professional and diplomatic efforts. Beijing was receptive to external scrutiny and political backlash during its BRI implementation, collaborated with multilateral agencies and think tanks, and adopted moderating and cooperative mechanisms in 2019, unilaterally and multilaterally. The Trump administration also came to accept the multilateral grouping—the Indo-Pacific alliance (U.S, Japan, Australia, and India) as the main forum of counter balancing against China’s BRI strategy.

The sudden outbreak of the novel Covid-19 in 2020, first in China, then speeding to other Asian countries, and finally engulfing numerous advanced democracies such as the U.S and Europeans, changed the geopolitical contexts in the world and caused much of the bilateral and regional

interactions between China and the United States to stop. Without active policy networks and the work of area scholars, the U.S narratives on China have become hostile and extreme, making geostrategic tension easy to erupt and common interest hard to emerge.

In March, as China declared victory in the war against the pandemic, the United States was thrust into the uphill battle against running-wild Covid infections. The ensuing weeks and months were a major blow and a blur in political and social space in the U.S, China, and other countries. Concerned about domestic repercussions, the Trump administration intensified its blame on China for the virus infections. Worried about international repercussions, Beijing allowed the “conspiracy theory”—the virus was traced back to the U.S military—to spread and conducted its “wolf warrior diplomacy”—celebrating China’s success in combating Covid-19 internally and giving aid to other countries. A new Cold War is on the horizon, and third countries are torn between the superpowers.3

This report remedies the lack of policy communications and scholarly exchange between China and the United States during the Covid cycle and corrects the extreme U.S narratives on China in the past months. It compiles and analyzes Chinese materials to provide the main views and actions by policy actors in China and how they shed light on the trajectories on China and globalization in the post-Covid world.

**Divided U.S Narratives on China**

Throughout the Covid cycle, the United States observations of China and corona have hovered around the rhetoric by individual leaders, nationalist diplomats, and populism, and ignored the voices and actions of Chinese policy communities. The outcome was deeply divided discourse on China and global politics in the future.

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On the one spectrum, China’s triumph is emphasized, especially as China managed to contain the pandemic in the country in early March 2020. Political observers suggest that Xi Jinping’s centralized command, compared to democratic practices in the United States and Europe, is more effective at curbing virus infections. On the other spectrum, the narrative focuses on China’s potential implosion and concludes that, despite China’s propaganda, few countries are buying the model or the messages from Beijing.

Such narratives—China’s triumph or China’s implosion are unhelpful for policy dialogues and actions. Expecting a triumphant China, America is likely to overreact—confronting China on all issues and in all areas and hence wasting resources that ought to be spent on saving lives and livelihood in the United States. Expecting China’s internal breakdown results in complacency and inaction—the United States does not need to up its game against China in domestic recuperation and leading the global effort to recover.

Such narratives, however, are not confirmed by writings and activities in China. Rather, the research on Chinese materials from January to May 2020—China’s Covid cycle reveals neither triumphalism nor potential implosion. Most Chinese policy actors view Covid-19 as the greatest challenge facing China today, and China should robustly assist the global recovery in order to fully overcome the virus and reinvigorate the Chinese economy. Actions by Chinese central and local agencies are also in line with pragmatic globalism and have focused on stabilizing foreign investment and trade in the country.

In short, unlike the strategic and populist rhetoric, policy thinkers in China are realistically pessimistic about the country’s ability to pull through the pandemic and expand global influence; Chinese economic actors struggle to stay engaged in global business, while Chinese scientists try

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to maintain their nascent linkages and connections abroad. Although China’s diplomacy continues to face considerable repercussions in advanced democracies and the developing world, the policy moves in Beijing and actions on the ground suggest that China has chosen to be pragmatically engaged in globalization and join multilateral efforts to fight the pandemic and economic recession in the world. We cannot say that about the United States yet. Should Washington fail to contain the virus soon and change its course in multilateralism, the post-Covid globalization and multilateral governance are likely to go on with a diminished space for the U.S to lead.

**Diverse Policy Discourses in China**

Contrary to external perceptions of a monolithic and totalitarian system, China has robust policy communities that display consistently different coalitional interests and policy proposals. They are most vibrant in a crisis context and prior to major policy adoption. During the Covid cycle in 2020, China’s policy communities demonstrate three sets of actors: pessimists, optimists, and pragmatists. Each of them speaks to different issues and challenges facing China, yet they all share a consensus on *pragmatic globalism*—China should maintain robust globalization for the sake of China’s strategic, economic, and diplomatic imperatives.

Pessimists are long-term specialists and policy advisors in U.S-China relations.8 They observe the U.S-China rivalry is on an “irreversible” downward turn and expect confrontation in information, technology, industry, military, and diplomacy. Furthermore, because U.S-China’s cooperation is important to the stable function of international institutions, the existing global order is not going to work under intense U.S-China rivalry. In this scenario, the pessimists predict an extended global recession and volatile geopolitics in many regions in the world. Since

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China’s domestic economy and continual rise depend on a stable external environment and a working relationship with the United States, the U.S-China rivalry and global turmoil predicts China’s future trajectory to be highly uncertain.

Pessimistic strategists have large followings in online news, social media, and broadcasts in China. On the Covid geopolitics, they are pessimistic about U.S-China relations, driven by hostile official rhetoric and popular sentiments in the two countries. On the other hand, they strongly believe that globalization and China’s active participation in the world serve the country’s short- and long-term interests. They thus welcome efforts in maintaining globalization under BRI and other forms, including diplomacy and aid in Africa and central Asia, renewed investment negotiation with European economies, and cooperation with Asian neighbors.

Optimists in China tend to be younger and are based at newly emerged think tanks in Beijing and elsewhere. They frequently express their views in the policy briefs of their institutions and in online state media such as China Daily and People’s Daily. Their views gained salience as China curbed Covid-19 infections in late February 2020. Their argument centers on the following: China has demonstrated great strengths in public health, technology, and crisis management and should exert active leadership roles in regional and global institutions, including the IMF, the BRI and the World Health Organization (WHO). Optimists believe China’s aid to other countries in fighting the virus infections will boost China’s national image and strengthen its diplomatic ties in the world.

In May 2020, optimists seemed to gain more strength in Beijing, driven by the U.S withdrawal from the global system and China’s return to normal political life. Yet they remain pragmatic. In a collection published by the Chinese Academy of Social Sciences (CASS), the scholars map out the future scenarios in the world and how China should respond in each scenario. The message is clear: The U.S “deglobalization” presents opportunities for China to expand its roles

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in the global arena. They argue that China should pursue BRI—boosting collaboration with the developing countries—and work with advanced economies in the world to provide “convenient, resilient and smart” global supply chains.\(^\text{10}\) They point out the salience of trade in services, technology areas, and digital globalization, in which China had to step up its technology capability and the world needs to construct a new coordination and risk management system. These are opportunities for a new wave of globalization, in which China can play stronger roles.\(^\text{11}\)

Pragmatists are most abundant in China, in particular in non-state news outlets and policy commentaries with major online followings. Pragmatists in diplomacy observe that China will face hurdles in its relations in Eurasia as these countries are being swept by Covid-19. Yet they also recognize that China’s rapid containment of the infections and proactive assistance to other countries helped regain some soft power and diplomatic advantages in the world. Different from the optimists, they do not believe China can achieve regional and global leadership in the near term. Pragmatists in economy view Covid-19 as the worst challenge facing the world since the 1930s. They expect China will have a lengthy and difficult process of recovery from this recession. And China’s recovery cannot be successful without the revival of major export and import markets in the world.

In short, pragmatists underscore the severe economic and diplomatic challenges that China is going to face after the pandemic. On the one hand, China’s economic recovery cannot succeed without adequate recovery of the global economy. On the other hand, China will face greater diplomatic challenges after Covid-19, in particular in advanced societies, making economic recovery in China and the world even more difficult. Hence, the policy actors argue that China should conduct robust multilateral efforts to fight the global pandemic and help other countries

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when it can. Staying global and staying multilateral, in the pragmatists’ views, are needed for China to revive the economy from recession and rebuild diplomatic space abroad.

To be sure, as outside reports have recognized and heretofore focused on, there are more extreme discourses and rhetoric disseminated from Beijing during the Covid period. For example, diplomat Zhao Lijian started a twitter post, attributing China’s coronavirus origin to the United States. His twitter account has since garnered a huge following in China. Furthermore, Beijing adopted a so called “wolf-warrior diplomacy” starting in March 2020 and actively promoted China’s success in handling the virus.12

As a whole, however, Zhao’s conspiracy theory has a popular appeal but is not taken seriously by policy actors and specialists in China. The wolf-warrior diplomacy has largely been phased out as it was quickly shown that such practice was counterproductive. The discourses analyzed here remain robust and salient among Chinese policy communities; they support pragmatic assessments of the challenges facing China and a proactive global engagement to fight the virus and the global economy. Unfortunately, due to the lack of travel to China and field research by area specialists, most of the external writings on China and Covid-19 have discounted these policy discourses inside China, not to mention popular media reports in the West.13

In the following section, actions adopted by the Chinese government and businesses to support the above policy discourses demonstrate the robust pragmatism and globalism in China.

**Globalization Actions in Post-Covid China**

China’s reaction to the Covid-19 outbreak was swift once the science became clear. The ruling party mobilized grassroots organizations in the neighborhood and at companies to administer

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test, trace, and control spread across China.\textsuperscript{14} The central and local bureaucracies, on the other hand, have focused on saving the economy. As the virus infections were curbed in March, Beijing and the localities worked hard to expand openness to foreign capital and develop new sources of international commerce. State Owned Enterprises (SOEs) and scientists, who have grown international operations and collaboration in recent years, strived to maintain these linkages and hope to adapt to the post-Covid globalization.

Among local governments, Jiangsu province had been involved in high profile economic zones abroad. When the virus broke out, the province and its special zones were quick to act and respond. In order to stabilize business abroad, the provincial government sent teams of cadres to guide combat against the virus on site. The Western Port Industrial Zone in Cambodia, for example, quickly set up protocols and check points of detection and prevention with help of from the Jiangsu team. In May, the zone had revived its business and was upgraded by the Jiangsu government. Furthermore, in Guangdong where export economies were prominent, the local governments worked with business associations and large companies individually to help them survive the virus and maintain its international orders.

Local governments’ main globalization efforts have been internal. In Shanghai, the government set up a special task force to help address the needs of foreign investors in the city, ensure existing projects and attract new ones if possible. In Zhejiang, the provincial government established a special office for foreign investment, designating one cadre to be a liaison for one major foreign project in the province. As foreign investors reported from China, since the Covid outbreak, local governments have been more friendly and supportive of their interests and investment in China.

SOEs are the main body of Chinese investors abroad, and over the years they built extensive supply networks with subsidiaries in China and abroad. When Covid-19 broke out, their priority was to “ensure the operation of global supply chains and stabilize international trade and

capacity cooperation.”15 For example, the Hong Kong Merchants’ Group recovered, to the extent possible, production in overseas projects in January and tried to maintain its 2019 volume. China Railways Heavy Manufacturing continued its production schedule in China and ensured its shipment of heavy machinery to Turkey in order to fulfill its parent company’s tunnel projects in Turkey and Russia. China Chemical’s subsidiaries are important exporters of chemical products used in agriculture, medicine, textile, and fertilizers in many countries. They could not stop their operation; and throughout the virus outbreak they kept to their production schedule. To ensure supplies to China Energy Engineering Corporation’s project in Poland, Huaye Steel retained 150 workers to work overtime throughout the crisis.

Companies with less pressure to fulfill supplies to other SOEs have more relaxed production schedules during the virus outbreak. Companies like China Metallurgical Group have extended the delivery time and reduced their personnel in overseas operations. Furthermore, Chinese SOEs do not have full control over overseas projects, and some of them paused investment projects. China Railways, for example, paused its $6 billion project in Indonesia. Finally, recipient countries may have changed priorities following the pandemic strike. Myanmar, for example, had focused on hard infrastructure from China and now asked for technology and health-centered projects. In short, the post-Covid globalization is likely to be different for Chinese SOEs operating abroad.

China’s national policy has sought to stabilize and expand overseas business links. In addition to various incentives, loans, and online logistics, Beijing’s main efforts are three-fold: expanding cross-border trade through e-commerce, stimulating new growth to attract foreign capital to stay, and helping the global recovery to stabilize the world economy.

First, on international ecommerce. China has experienced exponential growth in international e-commerce, which has lower operating costs and generous tax and tariff incentives compared to other international trade. In 2015, Beijing approved five cities for such experiment zones, which

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grew to 59 in 2019. The ecommerce trade was growing at 49% annually in the four years. In April 2020, the State Council—China’s executive branch approved an additional 46 zones, covering most cities in China, and expected that e-commerce would make up for steep decline in processing trade.

Second, on new infrastructure. The New Infrastructure Plan, different from traditional infrastructure such as power plants, railways, and ports, was in consideration before Covid-19. Now facing the pandemic recession, Beijing rolled out the plan swiftly in April 2020 and mobilized local governments and financial institutions to come up with localized proposals and projects employing information technology, digital networks, big data, and artificial intelligence. In Zhejiang, for example, the provincial government enhanced its support for cloud-based economy and facilitated small and medium-size companies’ internet enabled business. In Chengdu, in April, the construction of a super computer and data-processing center was completed, which is expected to provide full coverage over western China in digital economy and information technology.

Third, on global commitment. China received a lot of external criticism because of the Covid 19 outbreak. As countries in the West besieged China on investigation into its handling (or cover up) of the virus in the early weeks, Beijing was very defensive, rejecting any external calls for investigation, allowing the conspiracy theory to spread in China, and conducting its “wolf warrior” diplomacy. Yet under the combative surface, as the discourses and actions find, the pragmatic and globalist approach has prevailed: China has largely been cooperative and proactive in providing medical and financial assistance to other countries. On April 17, 2020 in the G-20 framework, China agreed to pause debt repayment of virus-struck economies for eight months. On April 23, following the U.S halt in funding, China announced an additional $30 million donation to the WHO, bringing its total cash donation to WHO to $50 million. On May 18, at the 73rd World Health Assembly, President Xi Jinping announced at a virtual meeting that “China will provide $2 billion over two years to help with Covid-19 response and with the economic and social development in affected countries, especially developing countries.”
In Beijing, at the highest domestic political event—the Two Sessions in late May 2020, China affirmed its goal and whole-government efforts to expand overseas activities, especially in the BRI regions. It pledged to focus on 1) a network of free trade zones along the BRI routes, 2) establishing the health BRI and digital BRI, and 3) soft and social cooperation between China and the BRI countries.16 Furthermore, ministers of the National Development and Reform Commission (NDRC), the Ministry of Commerce (MOFCOM), and the Ministry of Foreign Affairs, representing domestic industry, international commerce, and diplomacy, all pledge that China will strive to promote the Health Silk Road and Digital Silk Road construction with BRI countries.17

To be sure, there remains a lot of ambiguity and uncertainty in China’s precise commitment to the global efforts to fight Covid-19.18 The pragmatic globalism is likely to continue. While the leadership pledges actions and financial commitment to the global cause, Beijing leaves a lot of flexibility for the bureaucracy to work out the details. Much allocation of the aid and funds may tie in with the Chinese interests. For example, with regards to African countries, on May 24, Chinese Foreign Minister Wang Yi confirmed two channels through which China will pursue debt relief for African countries: The G-20 Debt Suspension Initiative and bilateral support. At the launch of the white paper, “Fighting Covid-19: China’s Action,” the Chinese Foreign Ministry affirmed that China’s $2 billion donation covers both bilateral and multilateral venues and issues like public health, poverty alleviation, and economic recovery.

In a nutshell, China will be an active player in global affairs, but its actions are likely to serve Chinese actors and Chinese interests. However, these actors do not have to be geopolitically motivated, or necessarily carry strategic strings to the recipients. As this report shows, Chinese

actors in globalization are diverse and their interests can be in line with market integration and scientific collaborations. The scientists, in particular, have made major strides in international research and collaboration in the past few years, and their activities have been boosted by the pandemic which blocked other forms of exchange while facilitating scientific efforts.

Implications for The United States

The United States is actively confronting China while fighting the Covid-19 pandemic. The fear of China’s triumph dictates an all-out competition in medical supplies, medicine production, trade in technology, and public diplomacy. The belief in China’s implosion also makes such hawkish and confrontational policies attractive—the administration can claim its roles in “winning” over China without much cost to U.S power.

The U.S-China antagonism has prevented the U.S from working with China and other East Asian countries early on; hence the U.S was delayed in more effectively curbing the spread of the pandemic. Specifically, when the pandemic broke out in China in January 2020, instead of engagement with Chinese health professionals and investigating the situation in China and the region, Washington opted for the drastic measure of complete travel bans. At the time, health specialists in the U.S warned about potential risks of the travel ban. On the one level, the travel ban indicated “othering the virus” and a belief that once the U.S stopped the entry of Chinese people, the U.S population would not be infected. Such “othering the virus” not only resulted in racism against Chinese and Asians in America but also offered a false sense of security in American societies, which discounted the danger from the virus infection until it was overwhelmingly too late.

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At a policy level, the U.S-China antagonism and travel restrictions made it hard to keep close watch on the situation in China; and the U.S in general overlooked measures adopted in China and the East Asian countries.\(^{21}\) Therefore, when the pandemic broke out in the U.S and Europe in late February, the U.S failed to rapidly evaluate and incorporate preventive and control measures in China, for example, setting up field hospitals for Covid patients only, putting potentially infected patients in isolation, and conducting effective tracing of travelers and residents in communities.\(^{22}\)

In recent months (this report written in June 2020), U.S-China antagonism and tendencies of overreaction and complacency, as mentioned above, have prevented the U.S from participating in international efforts to save livelihoods in the world after Covid. Instead of working to attract and maintain investment in the country, it tightened restrictions on Chinese companies and venture capital in U.S markets. Instead of expanding trade with China, it conducted additional controls and, by hurting Chinese producers, it hurt American consumers too. Instead of open borders and immigration, it limited and restricted the flows and operation of immigrants in the United States.

In short, the pandemic has pushed China to stay globalist, as it is the only way to recover the economy in a timely fashion. The United States, on the other hand, has opted for de-globalization in order to confront China, as epitomized in its defunding of the World Health Organization. The problem is, the world will not wait for the U.S to come around. Globalization in the post-Covid era will proceed with or without the United States. And without the U.S leadership, the liberal order is less certain for sure.

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