What Biden-Xi summit presages for the future

A more nuanced relationship between the world’s two largest powers may diminish the value of India’s ties with the US

As information begins to trickle out on the virtual summit between US President Joe Biden and Chinese President Xi Jinping, it is clear that their deliberations were more substantive than had been anticipated. Notwithstanding the rhetoric of both leaders standing on their respective grounds, significant steps have been taken to give a new and more positive direction to US-China relations.

One, both sides are now inaugurating a phase of high level engagement on key bilateral and global issues. Most important is the agreement between the leaders that they should engage in structured talks on their respective nuclear postures. This was announced by US National Security Advisor Jake Sullivan, who said that both leaders had agreed that there was need for talks on “nuclear stability”. This gains importance because so far China has refused to engage in nuclear arms dialogue, insisting that there remains a vast gap between its nuclear arsenal and that of the US and Russia. The shift in its position reflects the rapid and significant advances it has been making in recent years to increase its stock of nuclear weapons, estimated to reach 1,000 warheads by 2030. It has added more long-range and sophisticated missiles, including those with multiple warheads, to its delivery capability. Only a few weeks ago, it successfully tested a hypersonic glide weapon that is capable of inserting nuclear warheads from the East China Sea over the US territory.

India needs to take serious note of this development. It will have implications for the credibility of our own limited nuclear deterrent. A second point to note is that on the sensitive issue of Taiwan, the US has walked back to its earlier position of recognising only one China and not supporting an independent Taiwan. While tensions in the Taiwan Strait are unlikely to subside, the “guardrails” that Mr Biden spoke about in order to avoid any miscalculation and armed conflict have been put in place even if they are somewhat fragile at this point.

The third important sign of a positive turn in relations relates to the important challenge of Climate Change. The US Special Envoy on Climate Change, John Kerry, and the veteran Chinese Chief Climate negotiator, Xie Zhenhua, announced a “US-China Joint Glasgow Declaration on Enhancing Climate Change” on November 10, on the eve of the conclusion of the Glasgow summit. This incorporates an ambitious bilateral programme of cooperation on Climate Change, including a substantial initiative on reducing methane emissions. In the Declaration, China spoke about its intention to phase down coal-based thermal power, while the US referred to its plan to achieve a carbon-free electricity sector by 2035. Expanding forestry was another area of cooperation. What is worth noting is that several of these initiatives found their way into the Glasgow Pact, including the reference to the “phasing down” of coal-based power. It is clear that Mr Kerry and Mr Xie had been working quite intensely both before and after the Climate Summit to put their own stamp on the outcome document much as they had done in advance of the Paris Climate summit in 2015. Mr Xie gave a press conference after the Declaration was released. Here is what he said (free translation) about US-China cooperation ahead of Glasgow:

“To ensure a successful COP26 and to promote climate cooperation among all parties, we have had multiple rounds of discussions and dialogue with my US counterpart John Kerry. This year we have already had 24 online meetings and three face-to-face meetings.”

Mr Xie also revealed that there had been meetings between Chinese provincial governors and US state governors.

The reason why Mr Xie’s remarks are noteworthy is because this suggests a posture very different from what China had adopted only a few months ago when the US had suggested that cooperation on climate change should not be linked to other aspects of bilateral relations, which are “competitive”. The Chinese Foreign Minister Wang Yi had rejected this proposition, saying that the US could not expect China to cooperate on climate change and other global issues but adopt a hostile posture against China on other issues. Clearly, either China now finds overall relations with the US moving in a positive direction or that it has stepped back from its earlier hardline posture. Both lead to the same conclusion that the two countries have decided to nudge their relations towards greater engagement and expanded cooperation.

Mr Biden is said to have raised the issue of trade and the unfair support being given to Chinese companies to expand their markets. Mr Xi complained about the discrimination against Chinese companies on specious national security grounds. The reality is that US-China trade remains massive in volume, reaching $615 billion in 2020. American companies remain invested in China and US financial companies do not wish to miss out on the opening of the Chinese financial market, in particular its $16 trillion bond market. They are an influential pro-China lobby in the US. The China Business Report from the American Chamber of Commerce in Shanghai reported that 72 per cent of American companies in China had no plans to move production out of the country in the next three years. Nearly 60 per cent intended to increase their investment in China. The majority does not believe that US-China relations will worsen to the extent that requires altered business plans.

The Chinese media has also drawn attention to Xi Jinping’s remarks at the summit expressing concern over the consequences of the US macro-policy on global economic recovery. Mr Xi reportedly said, “It is necessary for China and the US to maintain macro-economic policy communication to support the world economic recovery. The US side should pay attention to the spill-over effects of domestic macro-policies and adopt responsible macro-economic policies.” We may therefore see the earlier high level bilateral strategic economic dialogue also being resumed. This may also explain why US Treasury Secretary Janet Yellen and Chinese Vice-Premier Liu He, who is Mr Xi’s chief economic advisor, were present at the summit.

The US is faced with the reality of a much more powerful China, which is also fully integrated into the global economy. It has to adjust its external policy to reflect this reality. While we are not at the threshold of a ‘g-2’, a more nuanced relationship between the world’s two largest powers is on the cards. This will affect India’s geopolitical calculations and a reassessment of the value of the partnership with the US and platforms like the Quad. There are many reasons why relations with the US will remain important but their deterrent value vis-a-vis China may have diminished.

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