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## **Background Brief:**

# **Will Intensified China-U.S. Rivalry Force Countries to Take Sides?**

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We are preparing a series of reports on the triangular relations between China, the United States and Vietnam. We request your assessment of the following issues:

Q1. Some analysts and scholars believe that U.S.-China competition will become fiercer in the months, especially from now to the U.S. presidential election in November. The U.S. is likely to step up verbal attacks on China in such areas as trade, human rights and the South China Sea. This could result in Cold War 2.0. But other analysts argue that the U.S. and China will reach a compromise on South China Sea issues to focus their respective resources on dealing with other issues such as the presidential election and COVID-19. What is your assessment?

ANSWER: Two trends are apparent. First, President Trump is playing the anti-China card as part of his campaign strategy to get re-elected. He and his key Cabinet secretaries have developed an anti-China narrative to cover up Trump's failure to exert strong leadership in the fight against the coronavirus pandemic. Trump calls COVID-19 the "China virus." Secretary of State Mike Pompeo has gone to the extreme of calling for an alliance of "free nations" to bring about regime change by deposing the Chinese Communist Party from power. At the same time, Trump and his advisers are calling out his opponent, Joe Biden, as "weak on China."

The second trend is a more conciliatory one by Xi Jin-ping and other Chinese officials. They call on the Trump Administration to step back from instigating a new Cold War and to work cooperatively with China to resolve trade issues.

Both China and the United States are engaged in a war of words and muscle flexing in the South China Sea. China does not want to push Trump into a corner by provoking him during the election campaign. The possibility of miscalculation, miscommunication or a mishap are ever present. On balance, however, neither side views an armed confrontation in their interest. Both China and the U.S. need the global economy to recover if they are to restart economic growth in their countries.

Q2. According to former U.S. national security adviser John Bolton, economic decoupling between the U.S. and China is "not only possible, but is happening." What steps will the U.S. and China take to either prevent or facilitate the decoupling?

ANSWER: There will be continued decoupling between the U.S. and Chinese economies in areas that are sensitive to national security such as communication technologies, artificial intelligence and public health (pharmaceuticals, technology,

protective equipment and ventilators etc.). After the elections, there will still be strains. If Trump wins, he will continue to promote America First. Biden has signalled that government procurement will give priority to goods Made in America.

However, economic interdependence at a lower level than pre-COVID-19 will still bind the two nations.

Q3. What is your assessment of the possibility of establishing an anti-China alliance led by the U.S., especially the possibility of uniting a group of countries against China on South China Sea issues?

ANSWER: It is highly unlikely that Secretary of State Mike Pompeo's call of "free nations" to unite in a crusade against the Chinese Communist Party to bring about regime change will gain traction. Australia, Japan and major European countries have vital economic links to China. Australia has clearly signalled that it will not take actions with the U.S. that injure its relations with Beijing.

What is more likely is that U.S. allies and partners will cooperate with the United States on a number of issues vital to their national security, such as countering Chinese interference in their internal affairs, Chinese hacking, Chinese disinformation, and Chinese economic and political intimidation.

There are clear signs that at least four South China Sea littoral states now share more in common on the South China Sea than previously. At the 36<sup>th</sup> ASEAN Summit the Chairman's Statement declared "UNCLOS is the basis for determining maritime entitlements, sovereign rights, jurisdiction and legitimate interests over maritime zones, and the 1982 UNCLOS sets out the legal framework within which all activities in the oceans and seas must be carried out." But ASEAN states will not be drawn into taking sides.

Q4. How will countries such as Vietnam, the Philippines and Australia respond to increased U.S.-China competition, including to South China Sea-related scenarios?

ANSWER: All three countries are likely to take different paths, two are members of ASEAN and Australia is a treaty ally of the United States. Australia and Vietnam are likely to cooperate with each other due to a high congruence of strategic outlooks.

As long as Rodrigo Duterte is president of the Philippines, his country will behave erratically. The Philippines should work to repair its relations with the United States to ward off pressures from China but this course is highly problematic. Duterte doesn't trust the U.S. He will lean towards China hoping to receive major funding for Filipino infrastructure. When China provokes or interferes in the West Philippine Sea Duterte will be reluctant to side with the United States.

Australia has already made its position clear. Australia and the U.S. recently signed a confidential Statement of Principles on Alliance Defence Cooperation and Force Posture Priorities in the Indo-Pacific. Australia will work with the United States on multiple fronts as a treaty ally on the basis of its own national interests. But, as Foreign Minister Marise Payne made clear, Australia will not do anything to injure its relations with China. It is widely understood that Australia will not undertake freedom of navigation operational patrols close to Chinese-occupied and militarized artificial

islands in the Spratly islands. But Australia will join the U.S. and other countries in multilateral naval exercises in the South China Sea.

The city of Darwin, in northern Australia, will serve as a hub for combined U.S.-Australia military activities and exercises. Other countries will be invited to participate. More U.S. Marines are likely to rotate through Darwin on a year-round basis. The U.S. has agreed to fund a fuel reserve. Both sides will maintain and repair their military platforms and equipment.

At the same time, Australia will pursue its own independent engagement in the Indo-Pacific with Japan, India, Indonesia and Vietnam as priorities.

Vietnam will continue to calibrate its policy of “cooperation and struggle” with all major powers, including China. Vietnam should be proactive in bringing ASEAN’s littoral states together in an informal working group to devise policies to advance their common legal position on UNCLOS and the 2016 Arbitral Tribunal Award.

In 2021, after the U.S. elections and Vietnam’s thirteenth national party congress, Vietnam should open discussions with the United States on raising their bilateral relations to a strategic partnership.

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