



By Jack Wagner

## China-Led Trade Agreement Symbolizes Challenges Facing Biden Administration in Asia

Largely drowned out by post-US election vitriol and new waves of COVID-19 infections, a significant China-led economic milestone in Asia-Pacific was reached on November 15. The signing of the Regional Comprehensive Economic Partnership (“RCEP”)—creating the world’s largest trading bloc—is a further symbol of Beijing’s quest to fill the regional leadership vacuum left by four years of “America First” foreign policy and a portent to the challenges facing the incoming Biden administration as it seeks to reassert America’s standing and influence in the region.

The pact, into which China corralled all 10 ASEAN member states in addition to Japan, South Korea, Australia, and New Zealand—a mere 30% of the world’s population—does not substantively change the terms of trade among them. Rather, it consolidates Asia-Pacific’s medley of separate free trade agreements under one bloc and allows member states to continue protecting important or sensitive sectors. Time will speak to its efficacy, but coming on the heels of the creation of the Beijing-headquartered Asia Infrastructure Investment Bank in 2014—which Washington, with little success, vigorously lobbied its allies against joining—and the US withdrawal in 2017 from the rival Trans-Pacific Partnership, the agreement is another diplomatic victory for President Xi Jinping.

Although the Trump administration’s often-muddled foreign policy has left the US on the diplomatic backfoot in Asia, its successor can capitalize on the reality that no one else can play a regional balancing role vis-à-vis China—cold comfort as this may be for those caught in the middle. Beijing’s often forceful projection of its economic, diplomatic, and military power under President Xi has done little to alter this dynamic to its own advantage in the competition for allegiance within the region.

Notably, India, a key partner in the US’s efforts to contain China’s growing assertiveness in Asia, is not a signatory to RCEP. The decision by the world’s second most populous country to abstain from joining was motivated primarily by domestic economic considerations, but its absence is all the more conspicuous in the context of its growing prominence as a member of the revamped ‘Quad’ security partnership with the US, Japan, and Australia. That Indo-Sino tensions have recently seen their worst escalation in decades over border disputes in India’s Ladakh region only underscores the degree to which New Delhi has been compelled to reassess its traditional non-aligned foreign policy.

While Japan and Australia are both members of the Quad and RCEP, their positioning alongside the US on regional security issues remains unambiguous, suggesting that the trade agreement, though symbolically important as another milestone of China's rise, represents little in the way of substantial economic commitments that could alter the arrangement of the Asia-Pacific geopolitical chessboard. Nevertheless, in the absence of any US-driven alternative, it illustrates the balancing act that the region's governments are obliged to take in their dealings with Washington and Beijing.

President-elect Joe Biden has pledged to restore the US' standing in the world and the country's commitment to the US alliance system in Asia-Pacific and elsewhere, though the specifics of such a strategy are only now beginning to come into focus. Biden and his senior-most national security advisors have emphasized renewed investment in multilateralism, noting that the Trump administration's go-it-alone approach to confronting China has deprived the US of the opportunity to work with like-minded allies to, as one such adviser opined, "present a model that is as compelling as the one being set by China."

Alongside deepened military and economic engagement with its allies, Biden's foreign policy advisors view technology as a "front burner" issue on which US-Sino competition will hinge and have framed such as a contest between rival systems of "techno-democracies and techno-autocracies." Although it is unlikely that the incoming Biden administration will deviate drastically from the trajectory set by President Trump, renewed emphasis will no doubt be placed on coordinating with allies to align export controls and investment restrictions. The new administration in the US will also work to "infuse values" into the norms and rules governing technology and other critical sectors that are increasingly intertwined with its defense and security interests in the Asia-Pacific region.

All of this will require the US to reinvest in the hard, unglamorous day-to-day work of diplomacy to win back the region's hearts and minds. "As simple as it sounds, a big part of this is showing up," said one of Biden's senior-most national security advisors in a recent off-the-record briefing call. Rebalancing the US-Sino scales in Asia-Pacific, however, is but one of a myriad of international and domestic issues facing the incoming administration. Whether it has the bandwidth to juggle them all remains to be seen.

---

## Contact

### **Ben Rowse**

Partner & Regional Head, Asia-Pacific  
+81 3 5219 1256  
[browse@nardelloandco.com](mailto:browse@nardelloandco.com)

### **Jack Wagner**

Director  
+852 3628 3950  
[jwagner@nardelloandco.com](mailto:jwagner@nardelloandco.com)

