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Executive Summary

The Worsening U.S.-China Relations and the COVID-19 Crisis



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*This article is written based on the author's personal opinions
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Executive Summary

- Global COVID-19 Pandemic: Massive Loss of Lives and Economic Damage
 - The West views the socio-political characteristics of China, which suppress the freedom of press, resulted in the failure of controlling the coronavirus at the early stage, and thus, regards China holds the responsibility of this calamity.
 - With the United States at the center, several western countries who have experienced considerable losses due to the COVID-19, are starting to draft measures to claim compensation for damages against China.
- Stance of the United States: Perception and Logic Beyond Medical Aspects
 - A fundamental question to the China problem arose in the U.S. China entered the WTO (World Trade Organization) system since 2001, and opened the Chinese economy to the world. In perspective of political economy, people began to question whether the political economic system of China can really harmonize with the current global system.
 - In particular, the Trump administration has been insisting a negative answer to this question. In fact, the current administration considers the Chinese economic system with a strong socialist color needs to completely change into the market economy system. Such thinking formed the basis of the recent two-year economic conflict between the U.S. and China.
 - Under such circumstance and with the outbreak of the COVID-19, the U.S. started to conclude that it can no longer lead the global economic system with China as a partner.

□ Crystalization of the U.S. Offensive Economic Policies Against China

- Decoupling, a process to cut China off the Global Value Chain (GVC), is the central piece to the U.S. strategy against China.
- The U.S. is implementing pressuring policies to Chinese business such as de-listing Chinese companies listed on the U.S. stock market, banning export of Huawei products that are manufactured using U.S. technology in a third country, U.S. Department of Commerce sanctioning a total of 33 high-tech industrial institutions including 24 Chinese companies, and more.
- The U.S. started its work to establish a new international economic community called “Economic Prosperity Network,” which centers around the U.S. and the allies. The pro-U.S. economic bloc excluding China is becoming visualized (policy for isolating China).
- China is also trying to respond by transforming into domestic-oriented economy. However, it seems hard to establish an economic system promoting domestic vitalization without a significant increase in domestic consumption.
- In case of Korea, it is essential to actively pursue “China plus one” strategy, which is adding another region besides China to the supply chain.
- As the U.S. persuades South Korea’s participation in the Economic Prosperity Network, the significance of value alliance should be considered in future steps. ❖

※ Translator’s note: This is a summarized unofficial translation of the original paper which was written in Korean. All references should be made to the original paper.