

## The Biden/Xi Meeting in Bali – What Was At Stake?

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The Biden/Xi meeting today should be seen as extraordinarily important for world peace and the world economy. The United States and China are the two largest economies. They are the two countries that spend the most annually on their military capabilities. They often have opposing strategic interests, and they are locked in vigorous strategic competition.

Relations between China and the United States have been steadily deteriorating. After the House Speaker Nancy Pelosi's visit to Taiwan in August, China severed lines of communication with US officials on a variety of important subjects, including the environment. The US did not lift the Trump era tariffs, as had been rumored just prior to that visit. Last month, it put into place major new restrictions on exports to China of high-end semiconductors and the machinery and technology that make them. The restrictions are designed to impair China's development of AI and other advanced capabilities that could be used for military purposes.

While Presidents Joe Biden and Xi Jinping had spoken by phone or video five times since Biden took office in 2021, the G20 Summit in Bali was the first time the two had met in-person since Biden was Vice-President during the Obama administration.

As expressed by Biden last week before his departure to Asia, the purpose of the meeting was to discuss “what each of our red lines are” and determine whether the two countries' critical interests “conflict with one another”,<sup>2</sup> and where they do, “how to resolve it and how to work it out.” Emerging from the three-and-a-half-hour meeting, Biden briefed the press that both sides had been direct in describing their interests. He did not believe that the two nations were on the verge of a new Cold War, lines of communication between cabinet officials would be re-established, and importantly for China, Biden stated that America's One China policy was unchanged. Biden told the press after the meeting that no invasion of Taiwan by China was imminent. He added that military action “from either side of the Taiwan Straits” would be opposed by the United States.

With respect (implicitly) to Ukraine, Biden indicated that the two agreed that the use of nuclear arms in any conflict should not occur, reinforcing Xi's public statement during the recent visit of German Chancellor Scholz to Beijing against the use of nuclear weapons.<sup>3</sup> Biden had

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<sup>2</sup> “Biden Seeks to Gauge U.S. and China 'Red Lines' with Xi.” The Japan Times. November 10, 2022. <https://www.japantimes.co.jp/news/2022/11/10/world/biden-xi-g20-talks-red-lines/>

<sup>3</sup> “‘Nuclear Wars Must Not Be Fought,’ China President Xi Says.” Aljazeera. November 5, 2022.

<https://www.aljazeera.com/news/2022/11/5/nuclear-wars-must-not-be-fought-says-china-president-xi>

President Xi said: *The international community should ... jointly oppose the use or threats to use nuclear weapons, advocate that nuclear weapons must not be used, and nuclear wars must not be fought, in order to prevent a nuclear crisis in Eurasia.*

clearly raised with Xi the threat from North Korea to the security of the US and its allies, but he indicated that he was not sure that China could control that country. For his part, Xi reiterated that the issue of Taiwan's independence was a threat to relations with the US; this is "the core of China's core interests, the foundation of political foundations in the China-U.S. relationship".

Both Xi and Biden had entered the meeting in a stronger position as a result of recent domestic events. Xi had been elected to an unprecedented third term as President of China by the 20<sup>th</sup> Congress of the Chinese Communist Party. He had also appointed supporters to key positions in the leadership. Biden clearly was buoyed by the results of the mid-term elections, by the Democratic Party retaining control of the Senate and greatly narrowing the expected control by the opposition Republican Party of the House of Representatives. China had previously denigrated the dysfunction it saw in Western democracy. The mid-term elections had demonstrated, as Biden had sought, that American democracy was still vibrant. "America", he reiterated "is back". This meant to him that it was a country that other countries could rely on.

The dominance of US security issues at the meeting was indicated by the composition of the US delegation. Accompanying Biden, beside the Secretaries of State and Treasury, Antony Blinken and Janet Yellen, and the US Ambassador to China Nicolas Burns, were National Security Advisor Jake Sullivan and three other National Security Council staff, Kurt Campbell, Laura Rosenberger, and Rush Doshi. Trade and Commerce officials were not at the table.<sup>4</sup>

Biden gave the clear impression that no US or Chinese policies changed during the meeting, but there was clarity on both sides of the positions of the other.

Going into the meeting, the primary purpose was to better understand each country's priorities, find areas of potential alignment of interests, and (implicitly) avoid any miscalculation on Xi's part as to US policies, resolve, and capabilities. One positive result of bilateral contact would be to discern where cooperation is possible, or at least have some agreement that there are areas in which the United States and China can work together or in parallel and not at cross purposes.

### **Understanding the Biden Agenda**

- China should understand that the United States is resolute in pursuing the foreign policy aims it enunciates and has the capability to support those aims through diplomacy and the deployment of extensive resources.
- China should take no action militarily to annex or subordinate Taiwan (which could trigger major economic sanctions and potentially a US military response).
- In its own interests, and consistent with its longstanding stated foreign policy of respecting territorial integrity, China should not provide material support to Russia for its war on Ukraine. To do so could prolong the military conflict and damage commercial relations between China and the US and its allies.

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<sup>4</sup> New York Times, David Sanger, online. November 14, 2022.

- China should maintain its stance that nuclear weapons are not to be used anywhere in war (the relevant theater at present is the Russian invasion of Ukraine).
- To the extent it is able, China should influence North Korea to reduce its continuing threatening behavior, including the testing of nuclear weapons and long-range delivery systems.
- The United States will continue to champion democracy and speak out about human rights abuses wherever they appear (implicitly including the treatment of Uyghurs in Xinjiang and the suppression of democracy in Hong Kong).
- China should be clear that domestic American support is overwhelmingly in favor of competing vigorously with China through industrial, trade, and foreign policies.
- The United States seeks cooperation with China on issues of common interest, such as fighting climate change and the outbreak of pandemics, improving the planet's environment in other ways, dealing with food insecurity, and providing debt relief to developing countries.

### **Understanding the Xi Agenda**

- China asserts that the United States should take no action that interferes with China's core interest of restoring Taiwan as part of China. The US should avoid encouraging the growth of pro-independence sentiment in Taiwan. US actions (such as the Pelosi visit) are exacerbating bilateral tensions.
- China opposes the "politicization and weaponization of economic, trade, scientific and technology exchanges."<sup>5</sup> The economic warfare by the US against China (as witnessed in the recent increase in the imposition of export controls against Chinese high-technology goods, services and intellectual property) should cease. The United States should understand that through its conduct, it is destabilizing good relations between the two countries.
- The US should recognize that interference in the internal affairs of China (by expressing concerns over the suppression of human rights in Xinjiang or democracy in Hong Kong) further diminishes the chances for cooperation with China.
- The free movement of individuals from China to the United States should be restored (recognizing the contribution of Chinese students and technical personnel as a positive exchange between the two countries).

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<sup>5</sup> New York Times, Ana Swanson, online. November 14, 2022.

- The US should recognize that China has a legitimate interest in increasing its role in global affairs. The US should not block recognition of China's increased status in international institutions such as the IMF.

### **What is Unlikely to Change**

- The US view will persist that it is engaged in a strategic competition with China, and that a policy priority is to strengthen the US economy in a more focused way, with consequent use of industrial and trade policies (including the imposition of export controls) as well as investment screening.
- The United States will remain evangelistic in its promotion of democracy. Autocratic governments find American espousal of the cause of democratic freedom destabilizing.
- China will seek to be the dominant regional power and spread its influence eastward across Asia to Eastern Europe and the global south. As China pursues its path to becoming a more important global player, continuing friction with the United States is inevitable.
- China's possessive stance with respect to Taiwan will not diminish. (In his speech to the 20<sup>th</sup> Party Congress, Xi said, "we have resolutely opposed separatist activities aimed at "Taiwan independence" and foreign interference. We have thus maintained the initiative and the ability to steer in cross-Strait relations.")<sup>6</sup>
- China's leadership is unlikely to moderate its nationalistic tone in its communications with its people, portraying the United States as a threat. This is part of the narrative that supports the necessity of Communist Party leadership.
- The US-led creation of AUKUS (the trilateral security pact between Australia, the United Kingdom, and the United States, announced on 15 September 2021), the Quadrilateral Security Dialogue (QSD, commonly known as the Quad, a strategic security dialogue consisting of Australia, India, Japan, and the United States), and the Indo-Pacific Economic Framework (IPEF) will continue to be deployed as counterweights to Chinese expansion.
- The negative view of China among the American people, Congress, and the Biden Administration will not diminish in the near term. The close division in the House of Representatives may give right-wing hawks more influence in pressing for a harder line against China. The American business community is not in a position to express support for closer economic relations with China, even if it desired to do so. As supply chains are increasingly diversified, the economic interest in voicing support for amicable relations with China will decline.

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<sup>6</sup> "(CPC Congress) Xi Hails Historic Achievements, Changes in Cause of Party, Country." 20<sup>th</sup> CPC National Congress. October 16, 2022. <https://english.news.cn/20221016/1158406df3b942c19661b18b0f745080/c.html>

- Economic exchanges between the two countries will continue, although the increase in bilateral trade in recent years is likely to diminish, as the policies of each of the two countries favor reducing dependency on the other. U.S. national security interests do not require complete decoupling of the economies, which would be a mutually harmful outcome and detrimental to the world economy. China is the largest source of U.S. goods imports, reaching a peak of \$0.5 trillion in value just before the onset of the pandemic, and running at a rate this year that is 10% above pre-pandemic levels. Supply chains are in the process of diversifying, but the deep relationships with Chinese sources of supply cannot disappear overnight without enormous disruption, and some raw materials and intermediate products will not be easy to source elsewhere. In addition, were complete decoupling to be attempted, cooperation where mutual interests align would be difficult if not impossible.
- The risks of escalation will remain. Something like Newton’s Law can be found in international relations – for every action, there is likely to be an equal and opposite reaction. However, for Newton, the two forces created an equilibrium, whereas in bilateral relations among countries, without careful calibration, it is possible to have a series of increasingly hostile steps create an unstable relationship.

### **Avoiding Miscalculations**

History has all too many instances of miscalculation by leaders of major powers with extremely serious consequences, including often large numbers of lives lost and massive human suffering. Examples of such missteps include Napoleon’s invasion of Russia in 1812, Hitler’s invasion of the USSR, Germany’s declaration of war on the United States in 1941, and most recently Vladimir Putin’s decision to launch a full-scale invasion of Ukraine, not fully anticipating, we can surmise, the vigorous and successful defense of the Ukrainians or the solidarity and extent of support from the West for the Ukrainian war effort. There are rarely good outcomes to miscalculations in international relations. An outlier in a list of miscalculations, due to its peaceful resolution, is Khrushchev’s decision to place nuclear-armed missiles in Cuba in October 1962.

In an autocracy, advisors may feel bound to be in line with their leaders’ thinking. Kremlinologists can speculate on the opportunities and risks that Mr. Putin was briefed on before he embarked on the invasion of Ukraine. Objectively, they might have been misled by the relatively low-key Western response to the invasion of Georgia in support of separatist governments in South Ossetia and Abkhazia, the seizure of Crimea in 2014, and Russian support of an insurgency of pro-Russian separatists in the Donbas. In each case, the Western response was limited. Selective economic sanctions were applied in 2014 over Russian aggression following the seizure of Crimea. The measures did not have the desired deterrent effect.<sup>7</sup>

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<sup>7</sup> “U.S. Sanctions on Russia.” Congressional Research Service. January 18, 2022. <https://sgp.fas.org/crs/row/R45415.pdf>. *To the extent that Russian behavior does not change, it may be because Russian policymakers are willing to incur the cost of sanctions in furtherance of Russia’s foreign policy goals. Sanctions also might have the unintended effect of boosting internal support for the Russian government, whether through appeals to nationalism or through Russian elites’ sense of self-preservation. In addition, the Russian*

In any calculations going forward, Chinese and American planners will be looking at lessons to be drawn from the Russian invasion of Ukraine. What will the capabilities prove to be of troops untested by battle? How united would the West be (in terms of European participation) in the application of economic sanctions were the war not on the European continent? What are the economic costs in terms of loss of market or sources of supplies of essential goods by getting involved in a conflict? Before the invasion of Ukraine, there were signals that could have been misread. Germany had been phasing out nuclear power for domestic political reasons. Nord Stream II was destined to deliver even more gas from Russia to Germany, increasing the dependency on Russia of the largest economy in the EU. In addition, in May 2021, to improve relations with Germany, the Biden Administration lifted its sanctions on Russian entities building the pipeline, a step that may have made an unintended favorable impression on Moscow of acquiescence in that dependency.

A third reason for Putin to doubt both Western cohesion and resolve was the hasty withdrawal of America's remaining troops from Afghanistan by August 30, 2021, which was criticized for lack of coordination with its allies. That image has been replaced by witnessing the massive supply of weapons and financial support to Ukraine to resist the Russian invasion.

The primary relevance of the actions played out in the European theater to Sino-US relations consists of the lessons China draws from the Western reaction to the invasion of Ukraine. How will China calibrate potential reactions of the US and its allies to China's implementation of its expansionist designs, seen in its naval activities in the East and South China Seas, the building of bases in the Paracel and Spratly Islands, control of the Scarborough Shoal,<sup>8</sup> pursuit of security arrangements with South Pacific Islands,<sup>9</sup> and most threatening to world peace, menacing Taiwan by sailing ships and sending aircraft across the median line in the Taiwan Strait and firing missiles over Taiwan and into Japan's exclusive economic zone.<sup>10</sup> Any lessening of support from a united coalition of Western countries for Ukraine in the coming year may be read in Beijing as allowing greater freedom of action for it in Asia.

In his opening speech at the 20<sup>th</sup> Communist Party Congress last month, Xi said, "the wheels of history are rolling on towards reunification and the rejuvenation of the great Chinese nation. Complete reunification must be realized, and it can without a doubt be achieved." It was reported that this line drew the strongest applause of the speech. "We will continue to strive for

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*government has sought to minimize the impact of sanctions on favored individuals and entities through subsidies, preferential contracts, import substitution policies, and alternative markets. ... In addition, the economic impact of sanctions may not be consequential enough to affect Russian policy. Studies suggest sanctions have had a negative but relatively modest impact on Russia's growth and that changes in world oil prices and economic disruptions associated with the Coronavirus Disease 2019 (COVID-19) pandemic have had a greater impact than sanctions.*

<sup>8</sup> Stephen Burgess. "Confronting China's Maritime Expansion in the South China Sea: A Collective Action Problem." *Journal of Indo-Pacific Affairs*. Fall 2020: 112-134.

<https://media.defense.gov/2020/Aug/31/2002488087/-1/-1/1/BURGESS.PDF>

<sup>9</sup> "China Seeks Pacific Islands Policing, Security Cooperation – Document." Reuters. May 25, 2022.

<https://www.reuters.com/world/asia-pacific/exclusive-china-seeks-pacific-islands-policing-security-cooperation-document-2022-05-25/>

<sup>10</sup> "China's Response to Pelosi Visit a Sign of Future Intentions." Associated Press News. August 19, 2022.

<https://apnews.com/article/taiwan-china-beijing-congress-8857910a1e44cefa70bc4dfd184ef880>

peaceful reunification with the greatest sincerity and utmost effort, but we will never promise to renounce the use of force.”

Perceived external threats are often adduced by some analysts as a significant cause of increased tensions that can lead to a military confrontation. Was a prime reason that Putin invaded Ukraine to forestall western expansion of the European Union and NATO up to his border? Along similar lines, was the Pelosi visit to Taiwan a needless provocation which resulted in an understandable show of force of arms by China? These sorts of arguments are never fully settled. There is still an argument, at least on the part of some historians, as to whether the West’s conduct threatened Joseph Stalin and caused him to be more vigorous in seeking complete control of Eastern Europe after the Second World War. There is also a theory that the United States was unduly provocative in using export controls to curb the access to US supplies of scrap iron and oil for Imperial Japan as that nation expanded its military activities in China and Southeast Asia in the 1930s.

Still unknown as of today is how Xi will react to the imposition by the United States of stringent export controls on advanced electronic technologies involving semiconductors, artificial intelligence, and computing. Also unknown is the extent to which American allies will join in imposing them. Escalation of actions and reactions can contribute to a downward spiral in relations.

Furthermore, domestic political events in both countries can affect relations in unanticipated ways. As noted, Xi Jinping just received an unprecedented third term as President and a constitutional amendment that allows him to stay in office without any time limit. More importantly, he remains the General Secretary of the Chinese Communist Party. He is known informally as “leader” or “paramount leader”.<sup>11</sup> However, the Party Congress also removed voices of moderation from the upper echelons of China’s leadership circle. The chances of a miscalculation can be magnified if there is a single lens through which information is interpreted by the Chinese leadership.

In the case of the United States, the domestic midterm elections, determining control of the House of Representatives with a knife-edge result, can result in a push for stronger measures against China. Hostile rhetoric from either side can inflame the reaction of the other. Both sides should understand the likely impact of any measure taken by one side with respect to the other.

### **The Need for Management of the Bilateral Relationship**

The United States and China require open communication links at a variety of levels of government, including the two countries’ leaders, to avoid misunderstandings that lead to confrontations and escalate into an open break. There are common threats: the destabilizing behavior of North Korea or Russia, and a need to work together to address climate change, among other priorities. Future cooperation will be needed when a pandemic returns or a financial crisis occurs. Food insecurity can be an issue to be addressed together.

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<sup>11</sup> “It’s Time to Stop Calling Xi Jinping the ‘President’ of China.” Washington Post. October 19, 2022. <https://www.washingtonpost.com/opinions/2022/10/19/xi-jinping-president-china-general-secretary/>

Is détente possible? A few days ago, on October 27, the US Secretary of Defense in his letter of transmittal of the National Defense Strategy 2022 stated the following:

*The People's Republic of China harbors the intention and, increasingly, the capacity to reshape the international order in favor of one that tilts the global playing field to its benefit, even as the United States remains committed to managing the competition between our countries responsibly.*

Beijing may not view Biden as an interlocutor for more than the next two years. It would be an error for China not to engage with the Biden Administration to make what progress can be made in the present. Although he has been a disappointment to China's leadership in not removing Trump's broad tariffs on Chinese goods and by imposing far more damaging export controls, he is pragmatic, predictable, and able to deliver on his promises. He is open to improving the bilateral relationship, to make it more stable – but not at the expense of US national security and industrial interests. His approach to any problem is to work toward solutions, not foreclose the effort.

Miscalculations between countries have led to calamities in international relations all too often. The Bali Summit created the promise of opening bilateral channels of communication. They should be utilized fully by both sides to avoid needless confrontations.