From Engagement to Balancing in US-China Relations

By M. Taylor Fravel

SYNOPSIS

The end of the Joseph Biden administration marked a long-term shift in the main dynamic in the US-China relationship from engagement to balancing. That is, policies based on relative openness and deepening integration have shifted to policies based on limiting or checking each other's power. Although the United States and China remain interconnected in many domains, the pursuit of balancing has formed a new dynamic in their relationship, though how it will evolve under the second Donald Trump administration remains unclear.

COMMENTARY

One hundred days into the second Trump Administration, much uncertainty remains about the foundational approach or orientation that his administration will adopt toward China over the coming four years. Yet given the rapid changes in specific policies over the past three months, such as tariffs, the shelf life of any particular piece of analysis can be measured in only weeks or even days. Rather than examine the latest policies that may be overtaken by events, this essay adopts a broader perspective, examining the long-term changes in US-China relations over the past decade, focusing on the shift in an overall orientation from engagement to a posture that best reflects the imperatives of balancing.

The Decline of Engagement

The term "engagement" in the context of US-China relations can be both loaded and imprecise, referring to a US policy toward China and to a description of US-China interactions. The more extreme view of engagement as a policy held that increasing economic interaction might transform China into a liberal democracy. A more modest view of engagement as a policy envisioned that greater interaction would increasingly

align China's preferences with those of the United States and an international order organised around liberal principles. Either way, engagement as a policy encouraged the deepening of trade and investment ties, people-to-people exchanges, and other interactions based on relative openness and reciprocity.

In more ordinary language, the term engagement also describes the breadth and depth of interactions and integration between actors, which in the case of the United States and China have been declining in recent years. For instance, once the cornerstone of US-China ties, trade relations have weakened. In 2023, Mexico surpassed China as the top supplier of goods to the United States. Meanwhile, US exports to China have plateaued at around US$200 billion annually. Additionally, the rate of increase in US foreign direct investment (FDI) in China has slowed, reaching US$126 billion in 2023, while China's FDI in the United States has dropped from its peak of nearly US$38 billion in 2019 to US$28 billion. Revenues for US firms operating in China remain strong, at around US$400 million per year, but revenues of Chinese firms in the United States have declined from their peak in 2019 to US$79 million.

Regarding people-to-people connections, direct flights between the United States and China have not recovered to their pre-pandemic levels and currently remain around 90 per week, down from 340. The number of visitors is harder to track. In the first quarter of 2024, the number of business and tourist visas issued to Chinese travellers to the United States fell by about 40 per cent compared to the same period in 2019. The number of Americans studying in China has dropped from around 11,000 in 2018 to around 1,000 today, while the number of Chinese students in the United States has declined from a peak of 370,000 in 2015 to around 280,000 in 2023.

The Shift to Balancing

Although the United States and China remain engaged, the peak and subsequent decline in the intensity of their interactions reflect a shift from engagement to balancing. If engagement, as a policy, seeks to shape the preferences or behaviour of another state by focusing on openness and reciprocity, then balancing, as a policy, seeks to limit what each country can do to the other. Both the United States and China have adopted balancing strategies, which reflect their growing rivalry amid China's economic rise. Under the Biden administration, the policy slogan of "invest, align, compete" encapsulates a balancing approach. In early 2021, Xi Jinping was reported to have described the United States as "the biggest threat" to China's development and security.

Military balancing is a central component of the current US approach to China. Since early 2021, the United States has described China as the "pacing threat" or the basis of US military planning and force modernisation. The United States has sought to strengthen its existing alliances, increasing NATO's focus on Asia, expanding defence cooperation with the Philippines, bolstering extended deterrence assurances with South Korea and Japan, and enhancing interoperability with Japan. The United States has also established new frameworks for balancing, most notably by creating AUKUS in September 2021 to check China on its southern flank and provide a platform for high-technology cooperation among the US and its allies in the region.

China, in turn, has pursued its own military balancing by continuing to modernise its

forces to win what the People's Liberation Army (PLA) describes as "informatised local wars". A new military strategy in 2019 reflected a more dire assessment of China's security environment, stressing the urgency of achieving the PLA's modernisation goals. Toward this end, in 2020, Xi Jinping announced that the year 2027, which coincides with the PLA's 100th anniversary, would be a critical milestone for meeting the PLA's 2035 and 2049 modernisation goals. Furthermore, the PLA is now expanding its nuclear arsenal and constructing three large silo fields for intercontinental ballistic missiles (ICBMs) among other nuclear force modernisation efforts. Particularly since 2022, China has sought to display many of its new capabilities through multi-day military exercises around the island of Taiwan.

The United States' focus on alliances in the Biden administration also represented a form of diplomatic balancing by seeking to repair political relationships and galvanise support for coordinating policies toward China. This includes deepening 2+2 dialogues with major regional allies and facilitating reconciliation between South Korea and Japan during the 2023 Camp David summit. The United States has worked intensively with groups such as the G-7 and the EU to establish common positions on issues related to China, ranging from Taiwan to investment screening. The QUAD group has been elevated and regularised as a diplomatic mechanism for policy coordination, with regular summit meetings among participating states. Additionally, the United States has made efforts to revitalise its relationships with Pacific Island nations.

China's diplomatic balancing is anchored on its close relationship with Russia, which has strengthened further since Moscow's invasion of Ukraine. A joint statement issued in May 2024 explicitly targeted the United States for the first time as a focus of their cooperation. China has sought to divide Europe, advocating for it to exercise its "strategic autonomy" in order to weaken its ability to take collective action against China. Most notably, China has sought to deepen diplomatic engagement with the rest of the world, playing a leading role in regional organisations and mini-lateral groupings, such as the BRICs. It has also developed bespoke "n+1" platforms for engaging entire regions, such as the Forum on China-Africa Cooperation, and increased its role in the United Nations.

US economic balancing toward China maintains the tariffs put in place since 2018 while pursuing other policies. Most notably, the United States has tightened export controls and taken other measures to limit the development of China's semiconductor industry, particularly after October 2022. The United States has also embraced industrial policies, subsidising sectors like semiconductors and imposing new tariffs to effectively block imports from certain industries, such as electric vehicles (EVs) and solar panels. Other policies focus on reducing dependence on China in US supply chains and preventing China from investing in critical sectors within the United States.

China's economic balancing is based on policies aimed at strengthening its domestic industries and reducing its dependence on the US and other Western markets. The Chinese government has increased subsidies for key sectors, notably the semiconductor industry, bolstering domestic firms despite export controls. The "dual circulation" policy emphasises increasing self-sufficiency by boosting domestic consumption while expanding trade with Asia, Africa, and Latin America to decrease reliance on the United States. China is also working to internationalise the renminbi, establishing currency swap agreements and promoting alternatives to Western

financial networks, such as SWIFT, to mitigate its vulnerability to American financial leverage.

Conclusion

The shift from engagement to balancing has created a new dynamic in the US-China relationship. Once balancing policies are enacted, they can be hard to reverse, as they reinforce perceptions of threat and hostility and face domestic obstacles to change, even if mitigated in part by the continued economic and other ties between the two states. The shape and form of the balancing dynamic under the second Trump administration, however, remains uncertain. The intent to continue balancing remains clear in the initial policies that have been adopted. For example, as reported by the *Washington Post*, the Interim National Defense Strategic Guidance prioritises deterring China from seizing Taiwan. Nevertheless, how the United States will pursue balancing is likely to change, especially for policies that require coordination and cooperation with allies and other countries.

M. Taylor Fravel is the Arthur and Ruth Sloan Professor of Political Science and Director of the Security Studies Program at the Massachusetts Institute of Technology. He was S. Rajaratnam Professor of Strategic Studies at the S. Rajaratnam School of International Studies (RSIS), Nanyang Technological University (NTU), Singapore, in August 2024. His latest book is Active Defense: China's Military Strategy Since 1949 (Princeton University Press).