

Interview with Matthew P. Goodman, Senior Vice President for Economics, Center for Strategic & International Studies

The Biden Administration's New Foreign Policy – a Key Geopolitical Question in the Pandemic

By Japan SPOTLIGHT

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Main Pillars of Biden Administration's Foreign Policy

JS: We are in a somewhat complicated world, and geopolitics and economics cannot be separated. It is impossible to imagine that one can have truly stable economic relations with any nation in the absence of stable political ties. It is also true that domestic political stability is very important in deciding on any foreign economic policy. In this regard, facing high geopolitical risks and stronger populism in the United States, how would you define the main pillars of the incoming Biden administration's foreign policy?

Goodman: The first point is that the Biden administration's first priority is going to be the Covid-19 pandemic and dealing with that problem as a health problem, and as an economic problem. That is going to be the top priority, and that is the reality that they are going to be dealing with before foreign policy. That will shape the administration for the first 100 days or so. The second point is that the Biden administration has defined foreign policy priorities in terms of what they call a "foreign policy for the middle class", and what they are trying to do is to link traditional foreign policy interests more clearly with domestic economic and social and other concerns.

This is more than just a soundbite or a headline. They are genuinely committed to starting the foreign policy conversation by looking at what American workers' problems are, what their needs are, what their desires are, and then deciding what foreign policy interests should be pursued to support Americans at home. I believe that is a genuine impulse of President Joe Biden himself and his security advisor Jake Sullivan, who first coined the term "foreign policy for the middle class". That is the broad mindset that they are going to be bringing to foreign policy and in that sense foreign policy



Matthew P. Goodman

and economics are very closely linked. Foreign policy in the past has been too focused on external issues and political issues and traditional security concerns like nuclear proliferation or terrorism; these are very big problems, but the new approach under the Biden administration is that some of those policies have been taken in the past without enough consideration for what American people are really worried about, including economic concerns. From that flows first the "build back better" policy, which is the term for their economic and social plan at home, which has four broad pillars: re-energizing American manufacturing and innovation, investing in infrastructure, investing in the caring economy, and addressing issues of racial injustice. All of

these are top priority before turning to foreign policy issues. Of course, foreign policy starts from the first day and so they will have to immediately focus internationally. I do think that there will be much more focus in Biden's foreign policy on issues of democracy, human rights and political stability around the world; that will be more central to their foreign policy than during the administration of President Donald Trump.

JS: There is particular interest in foreign policy vis-à-vis China. Would democracy and human rights be the main pillars in dealing with China as well?

Goodman: I think they will be a pillar, and it will be a more important pillar than it was under Trump or even under President Barack Obama. The Biden approach to China begins with agreement with the Trump perspective that China is a leading strategic competitor of the US, and so it starts with strategic competition but then looks at the elements of that competition and how to address it.

Democracy and human rights will be a much higher priority, but other elements will still be there: there will still be trade, technology, and traditional foreign policy elements such as security. Then there will be questions of climate change and global health responses,

which provide areas for cooperation. All of these elements will be part of the China policy, but yes, democracy and human rights will be a much more important pillar of the China strategy.

JS: In the domain of trade policy in dealing with China, perhaps encouraging structural economic reform could be much more effective in achieving smooth relations between the two countries.

Goodman: Yes, it would be better for China and for the US, and indeed for Japan, if China moved back to its previous path of domestic economic reform and opening. However, the Biden administration is going to take the view that this is really a decision for China, and outside forces – whether it is the US or Japan or other countries – are going to have relatively little ability to influence China's decisions about its own reform path. Of course, the new administration will work on those issues, particularly those that directly affect American interests, such as where American businesses are denied market opportunities or treated unfairly. Where intellectual property is being stolen or forced technology transfer policies are being pursued by China, I think the Biden administration will pursue those issues. Where the Chinese government is using heavy subsidies of its state-owned or state-directed champion companies, the Biden administration will pursue those issues, but I don't think that the focus will be as heavily on Chinese internal structural reform as previous administrations, including the Obama or George W. Bush administrations, which had various dialogues to try to address those internal issues. I don't think that Biden will be so enthusiastic about those issues, and there will be more focus on strengthening American competitiveness *vis-à-vis* China, while the Biden administration will also push back aggressively to prevent China from stealing technology or engaging in economic coercion.

New US Foreign Policy in East Asia

JS: East Asia is the principal interest for many countries in terms of geopolitics today. Besides China, perhaps North Korea is a major source of concern. What do you think will be the foreign policy taken by the Biden administration in trying to achieve peace on the Korean Peninsula?

Goodman: I am not an expert on nuclear issues, but my general answer is that it will be a high priority for the Biden administration. The threat of North Korea's nuclear capability, combined with an improved missile capability, is a huge regional and global concern. In addition to Antony Blinken, who will be the secretary of state, the

deputy secretary of state will be Wendy Sherman, who was very involved in the Korean negotiations in both the Obama and Bill Clinton administrations, so it will be a high priority for her. The Biden administration will consult very closely with its East Asian allies, notably Japan and South Korea. I think they understand the importance of having both of those critical allies, and also Australia and semi-allies like Singapore, supporting this policy. Incidentally, I think that the Biden administration will be very sensitive to specific Japanese domestic concerns like the abductee problem.

JS: In particular, perhaps the new administration would expect Japan and South Korea relations to improve.

Goodman: It is clear that the US interest in Asia centers on a good relationship among all its allies and particularly between two critical allies, Japan and South Korea. The tension between the two countries today is very unhelpful to American interests, and I think there will be a strong effort to improve relations, although I don't think the Biden administration will play a brokering role but will rather encourage the two countries to try to resolve their differences, obviously over history and technology transfers and other concerns. Especially if we are going to deal with the North Korea threat, we need to have Japan and South Korea on good terms and working together. Similarly, to deal with China we need Japan and South Korea to work together, so this will be a high priority.

Climate Policy Affecting All Policies of Biden Administration

JS: Switching to the global environment, the Biden administration has already committed to rejoining the Paris Agreement, and climate policy will be very important for this administration. Is it correct to assume that will even be embedded in foreign relations and trade?

Goodman: I would agree that climate change is a number one priority for the Biden administration globally, and in foreign and domestic policy it will be an issue of key focus. Former Secretary of State and Senator John Kerry, who was very involved in the Paris negotiations, has been appointed as special international climate envoy, and former environmental protection agency (EPA) head Gina McCarthy has been appointed as domestic climate envoy. There will also be climate issues in our general foreign policy towards East Asia; for example, I think energy policy in the region will be much more focused on clean energy, much more discouraging of fossil fuel-based development in the region, which is a potential point of

tension between the US and Japan.

Obviously, climate change and sustainability will be a central element of the “Build Back Better” plan when it comes to building domestic infrastructure and investing in innovation and clean energy. It is going to run through everything that they do in the Biden administration. One of the interesting questions is how they are going to make all of these different elements work together, because it is somewhat unusual to have such a senior person like John Kerry in the White House specifically focused on international dimensions of climate change. On the other hand, it is also unusual to have a former Cabinet secretary in the White House in charge of domestic climate issues, so how those two will work together and how they will work with the agencies involved – the State Department, the Energy Department – will be key.

Incidentally, the Energy Department will be headed by Jennifer Granholm, who is the former governor of Michigan, which is of course where a lot of US automobile production is based. Governor Granholm has been very focused on electric vehicles, and I think she was picked because of her interest in those issues. Traditionally, the remit of the US energy secretary is to protect the American nuclear weapons supply, and to clean up nuclear problems. That is their main focus, but I think the appointment of Governor Granholm is a signal that the Biden administration wants her to play a critical role in clean energy and climate policy.

There are many other players throughout the government who will be involved in this issue at some level. For example, Pete Buttigieg, the secretary of transportation, if confirmed, will be very focused on sustainable infrastructure and transportation, so there will be many players. One of the questions I have is, will these people be able to work together in a way that is effective and efficient and achieves real progress on these issues? Based on my experience working in government, I am a little concerned about this, because there are many big personalities. I should also mention Brian Deese, who is going to be the director of the National Economic Council. He also has a background in working on environmental, social, and governance (ESG) investment, and so he is very interested in these issues. Treasury Secretary Janet Yellen, while a central banker by background, is very interested in climate finance. How these diverse players will work together is a big question in my mind.

JS: We are particularly interested in the linkage between this new environment policy and bilateral energy collaboration. The US-Japan energy partnership could be very important for the two nations. Would this bilateral energy collaboration likely reflect this change of US environmental policy, with a wider range of renewable energy sources in addition to natural gas and nuclear energy?

Goodman: Yes, I think so. I don't have any inside information about that specific issue, and I am not sure that the Biden transition team has focused on that question yet. However, I would expect that it will be a high priority for bilateral relations and globally to have that dialogue continue; I think that the emphasis will shift from the traditional focus on fossil fuels to renewable energies.

Frankly, I think also there may be some pressure on Japan to lessen its dependence on fossil fuel – coal in particular – in order to change trade patterns between the two countries, and to discourage Japan from financing overseas coal plants. There may be a different dynamic between the Biden administration and the administration of Japanese Prime Minister Yoshihide Suga on those issues, and it will sometimes be a little uncomfortable for Japan. Suga has committed to net zero emissions by 2050, and that is an ambitious objective; I think that Biden's interest in macro terms is in pushing in a helpful direction for Japan's own ambitions or targets, but I imagine there will be some friction or difficulty in coordinating and negotiating the specific elements of that bilateral energy cooperation. It is going to be an important and constructive, but also somewhat difficult, negotiation.

Trade Policy, Though It May Not Be the First Priority

JS: Moving to trade policy, the priority of the new government is on domestic structural economic reform. Trade policy may not be the first priority; however, the WTO dispute settlement should be improved to prevent chaos from ensuing. In that regard, would it be possible for the US to contribute to the restoration of the malfunctioning WTO dispute settlement by stopping preventing the WTO from appointing new members of the appellate body?

Goodman: I don't have any specific information or insight on that question, but first let me validate your basic premise, which is that trade policy is not going to be an early priority for the Biden administration, as they are going to be much more focused on domestic economic policy. Even when they start engaging more strategically on trade agreements, they are going to have a very different approach to those issues. However, trade issues are not going to wait for one or two years for the Biden people to figure out their approach.

The most immediate WTO question is the appointment of a new director general. I think there are at least three big WTO issues that have to be resolved pretty soon. One is the new director general; another is major negotiations on fishing will have a deadline, but they will be facing a WTO ministerial meeting in June. Then, the

appellate body/dispute settlement issue because it is heavily problematic right now. The good news is that the designated US trade representative, Katherine Tai, is very knowledgeable, competent and experienced and understands those issues very well.

On the specific question of the appellate body, I don't know what the Biden administration's approach is going to be; I think it will be different from the Trump approach, as they will understand the value of an effective dispute mechanism, including an effective appellate body system. Bob Lighthizer really didn't believe in the WTO dispute settlement approach because it limited the sovereignty of the US in some way. Even the Obama administration had some real complaints about the appellate body and the dispute settlement issue and was trying to fix those issues. The Biden people will also want significant reform of the dispute settlement system. Whether they will immediately appoint a new judge I am not sure. Philosophically I think they would want the body to function, but they might use as leverage the absence of a quorum to force serious reform.

JS: Regional FTAs are of course tools to achieve trade liberalization, but at the same time tools to achieve a sort of geopolitical stability. In that sense it is a kind of foreign policy as well as economic policy. How do you think the new administration will consider the RCEP or CPTPP in the Asia-Pacific region? China has already announced its interest in joining the CPTPP, so we are curious about the US response to this maneuver.

Goodman: Honestly, I think that the China maneuver is just symbolic and strategic, not real. I don't think China is likely to have a serious interest in joining the CPTPP at the level which existing members would expect on issues of state-owned enterprises and issues of intellectual property, subsidies and other issues. I think it will be difficult for China to reach that standard, and I don't think that Japan and other partners – Australia, Singapore – are going to water down the requirements just to get China in. I don't think it is realistic, but symbolically it was interesting that China indicated that interest, and when you combine it with the conclusion of the RCEP, which is the biggest regional trade agreement that the US is not part of, the completion of that together with this kind of feint, or fake move, by China into the CPTPP has definitely got the attention of people in Washington and has focused the strategic players of the Biden administration interested in East Asia and Indo-Pacific policy on finding a way to respond to those developments.

The problem lies in an inherent and real contradiction in Biden's foreign policy; they really want to re-engage with allies in Asia and they really want to confirm a strong American commitment to the region in all respects – diplomatic, security, economic – and they

definitely want to hedge against China's increased power in the region. On the other hand, they are very reluctant to go quickly into big trade agreements as we discussed before. There is a strong resistance to moving fast into big trade agreements, especially something like the TPP. That is a kind of tension, a contradiction or forces moving against each other. That is something that the Biden people are going to have to resolve, and I think it is going to be quite difficult.

I actually think that Biden himself is a little more focused on the geostrategic part of that story and understands the importance of trade and agreements like the TPP as a tool to advance our strategic interests in Asia more than some people on his team. There are members of his Cabinet and his immediate advisors who are more skeptical about those arguments and definitely very reluctant to do trade agreements. I think Biden might be a little more willing to take risks on trade, but I don't think it is going to be his top priority. The interesting thing I am watching is what Biden will do in the run-up to the APEC summit in November 2021. New Zealand will be hosting the APEC leaders meeting and there will be an East Asian summit as well, and as that meeting gets closer, there will be pressure on the White House to come up with a big strategy for Asia, and that has to include a credible economic pillar and a credible trade pillar. If the Biden administration does not want to rejoin the TPP, or join the CPTPP, then it has to find some alternative strategy on trade, and I think the best they will try to offer is some sectoral agreements, say on digital trade or on maybe other elements of the TPP that are less controversial, where it is easier to get an agreement, for example on subsidies or state-owned enterprises. Maybe they will try to pursue some new bilateral trade agreements although that is very difficult also. Possibly a new phase two agreement with Japan, although I think that is unlikely, and perhaps with Vietnam or the Philippines (but not under President Rodrigo Duterte, I think). This is a big tension: between the desire to be involved strategically in Asia – needing a trade policy to be credible as a strategic player in Asia – but on the other hand, not wanting to do big trade agreements. I think there is a conflict there which Biden will have to resolve before he goes to APEC.

JS: There are concerns over the new rules for digital products. On such urgent issues, should plurilateral agreements be achieved as quickly as possible in light of the speed of technological progress?

Goodman: I think there are different elements involved. Digital is a big subject that covers many issues. There are rules on data flows across borders, and there is definitely an impulse in the Biden team to work with Japan and other partners in the region to try to advance those rules. There are rules in the TPP, rules in the USMCA (the new

NAFTA), and there are rules in the US-Japan bilateral digital deal, which are good. There is also APEC, which has done work through Cross-Border Privacy Rules (CBPR), and I think the Biden administration may try to integrate all of that work with Japan, Singapore, Australia and other partners to try and come up with a new package.

At the same time there are serious concerns about technology transfer, which is a related but slightly different issue. I think there is a strong interest in the Biden administration to work with partners in Europe and Asia to try and ensure that we control sensitive and critical technologies, and I think there will be a strong effort to try to work with allies like Japan and also European allies. One of the Trump administration's successes has been to strengthen the Committee on Foreign Investment in the United States (CFIUS) investment screening tools, and Japan and Europe have also strengthened their rules, encouraged by the Trump administration. Export controls also have been strengthened in the US and Japan, and I think there is more work to be done there.

Then, research collaboration – there is a big concern in Japan and the US about technology and ideas leaking through universities. For all of these topics there will be a strong impulse in the Biden administration to work with our allies and partners, and there are also interrelated questions about supply chains. Huawei is the target now, but there are other questions around critical supply chains where there will be a strong desire to work with allies and partners to ensure that these supply chains are secure and, frankly, not dominated by China. I think there will be an interest in working with Japan and other allies on digital infrastructure, working together to build infrastructure to provide telecommunication services. The Japan Bank for International Cooperation and the US Development Finance Corporation have been working together with the Australians, including through the Blue Dot Network, which is an idea to build high-quality infrastructure. A lot of this is aimed at a digital “One Belt, One Road”. There is a whole portfolio of issues in the technology or digital space on which the Biden administration will want to work with Japan and other allies.

Strengthening the Indo-Pacific Region

JS: A re-strengthened alliance would seem to be a key issue for Biden's foreign policy. Would the Indo-Pacific region be one option for such a re-strengthened alliance in Asia?

Goodman: The “Indo-Pacific” terminology was created by Japan and then adopted by the Trump administration. It was a little controversial at first, and there are still questions about it. I am worried about India, because I don't think it should be in the room

when we are talking about economics. When we are talking about maritime security or other rules and norms, OK, but when we are talking about trade, investment, even digital economy, I am nervous having India in the room, because I don't think India believes in free and open trade and investment, so I personally don't like India being part of this.

I think the Biden team will be very committed, and National Security Advisor Jake Sullivan has already used the term “Indo-Pacific”. They might not use “free and open” but instead change that to “secure and prosperous Indo-Pacific.” I know this might worry some people in Japan in terms of the approach or focus, but actually I think it means that they want to focus on the ultimate goal, which is security and prosperity in this important region.

On a related issue, I think the Biden administration will continue to also pursue the Quad with India, Japan and Australia as a security initiative. There is no question that the Biden team intellectually understands the importance of the Indo-Pacific; they understand the importance of a region where there are many critical issues, especially the rise of China, the issue of North Korea, maritime security challenges, and health challenges.

My sense is that the Biden team's passion is transatlantic, and that bridging our differences with Europe is an equally high priority. A lot of the key players in the new administration are focused on Europe, Russia and the Middle East rather than Asia. That is my personal view, and it is a little hard to prove or provide hard evidence, but my instinct is that they are going to be most energetic about trying to reconcile with Europe. When the European Union announced that it was going to reach this investment agreement with China – the CAI – we saw Jake Sullivan tweeting, “The Biden Administration will welcome a chance to talk to our European friends about our shared economic concerns with China.” So it was a kind of hint that we don't want Europe to move too fast to negotiate or finish this deal. We want to talk to Europe about China and about Asia, so in my view the new administration will have more interest in talking as a group like the G7 countries or even a slightly broader group of democracies about these issues. Having a strong Europe policy does not mean a weak Asia policy or vice versa – the two are not mutually exclusive, and I think they want to integrate both elements. But there is a strong passion and energy that they want to devote to improving US-EU relations. **JS**

Written with the cooperation of Joel Challender who is a translator, interpreter, researcher and writer specializing in Japanese disaster preparedness.