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Biden's first China challenge

The timing of China's decision to tighten its grip on Hong Kong is likely strategic

China may be capitalising on domestic distractions in the **US** to consolidate its control over **Hong Kong**. Last week, Hong Kong authorities disqualified four opposition legislators deemed a danger to “national security.” This came after new legislation was passed in June that allows for the immediate dismissal of “unpatriotic” opposition members from the city’s Legislative Council. The move [prompted](#) the resignation of nineteen of the remaining opposition lawmakers. This arguably ends any meaningful political opposition in Hong Kong, bringing it closer to a “One Country, One System” framework.

President-elect **Joe Biden**’s advisors have stressed that his initial focus will be domestic. Tellingly, neither his personal Twitter page nor his official transition page mentioned the legislator’s disqualification, with tweets focusing on tackling the pandemic and the economic recovery. His silence either reflects his distraction with domestic matters or possibly that he will tone down criticism in exchange for cooperation with China on other issues such as climate change. Whatever Biden’s position, it is unlikely Beijing will bow to international pressure in reversing the recent erosion of Hong Kong’s autonomy.

The emerging contours of China's vaccine diplomacy

The ticket to normality may come with a hefty price

China has spared no effort in its efforts to develop a COVID19 vaccine. Four of the ten vaccine candidates currently in Phase 3 clinical trials are Chinese made. Part of China’s emerging vaccine diplomacy is defensive. COVID19 originated and spread because of China’s mismanagement of wet markets and later, the botched early response to the virus itself. By successfully rolling out a vaccine, the Party will be hoping that the Chinese people and the international community look past its initial missteps. However, aside from showcasing its global leadership credentials and re-building its depleted soft power, China may also use the roll-out of the vaccine to extract strategic concessions.

One area where this could play out might be the South China Sea, where China has maritime disputes with **Vietnam, Malaysia, the Philippines, Brunei** and **Indonesia**. With the economies of the Philippines, Indonesia and Malaysia having been particularly battered by the virus, a vaccine may appear to be the only way out. China’s Sinopharm is conducting trials in Indonesia, while Malaysia and the Philippines have been promised priority access to a vaccine – in addition to **Cambodia, Laos, Myanmar, Thailand** and **Vietnam**.

Concessions made to China may be more implicit than explicit. Indonesia’s response in September to Chinese incursions near the Natuna Islands was notably more muted than its response to similar incidents in January. Leveraging the goodwill generated from dispensing vaccines, China may also push for concessions when negotiations on the Code of Conduct for the South China Sea resume. Ultimately, much will hinge on the actions of other regional powers. A White House that is more willing to share vaccine access under President-elect **Joe Biden** could provide Southeast Asia with more options.

The US' trade dilemma

Washington has no easy path forward to compete with China on trade

The conclusion of the **ASEAN**-led, 15-nation Regional Comprehensive Economic Partnership (RCEP) has created something of a dilemma for the incoming administration of President-elect **Joe Biden**. The Obama administration had opted not to join RCEP negotiations, partly because of concerns about the deal's quality. Whilst reducing tariffs by up to 90 percent and outlining common rules on e-commerce and cross-border investment, the agreement has a number of deficiencies. For example, it has little to say about eliminating state subsidies, protecting intellectual property, environmental standards or liberalising services trade.

President Obama's response was to negotiate the "higher-quality" Trans-Pacific Partnership (now the CPTPP), from which President **Trump** promptly withdrew. As a consequence, when Biden takes office, the US will be left out of Asia's two premier trade pacts. For **China** – which has traditionally been resistant to joining multilateral deals – the opportunity to increase its regional influence has been too good to pass up. Whilst Biden is genuinely committed to competing with China, he is hamstrung by rising protectionism at home. The Democrat's presidential platform [pledged](#) not to "negotiate any new trade deals before first investing in American competitiveness". More fundamentally, the Democrats have a reduced majority in the House and are unlikely to control the Senate.

However, as shown by Trump's success in re-negotiating the North American Free Trade Agreement (NAFTA) through the United States-Mexico-Canada Agreement (UMSCA), Congress is not totally averse to free trade. One option may be for Biden to re-negotiate the CPTPP with relatively cosmetic changes intended primarily for domestic consumption. Thus, whilst it would be premature to write off the chances of the US returning to the Asian trading fold, we do not see it as a priority for the new administration.

Australia pivots towards more active foreign policy

There is still considerable room for Australia to ramp up its engagement

China's increasing assertiveness and concerns over the **US** willingness to exercise regional leadership motivated **Australia** to pursue a more multifaceted foreign policy. In Japan this week, Prime Minister **Scott Morrison** signed an in-principle Reciprocal Access Agreement with his counterpart **Yoshihide Suga**. The pact will allow each military to easily access the other's bases and follows off the back of [moves](#) to allow Japan to formally protect Australian military assets at sea. More broadly speaking, the Australia-Japan relationship is going from strength to strength. Notably, Morrison was the first foreign leader to visit Suga. He was also the [first](#) leader to receive a call from the new Japanese leader. Elsewhere in the strategic space, Australia and **Germany** are discussing plans to deploy German officers within the Australian Navy and ramp up joint exercises.

Australia is also stepping up its foreign aid game. After cutting aid to Southeast Asia by up to 42 percent to help offset previous cuts to the Pacific, the Coalition government has announced an array of new initiatives for Australia's immediate north. Australia has committed A\$500m to help ensure Southeast Asia's access to vaccines, on top of an additional A\$550m in other aid initiatives – primarily aimed at Mekong River nations increasingly under China's sway, namely **Myanmar**, **Cambodia** and **Laos**. Mirroring its support in the wake of the Asian financial crisis, Canberra has also extended a A\$1.5 billion loan to **Indonesia**. The sum of these initiatives is Australia playing a more active role in shaping the region – even if the unintended consequence is to further provoke China. With

Australia's total diplomatic, trade and aid budgets having [fallen](#) to record lows, Canberra still has significant scope to further re-assert itself.

ISIS resurgence in Syria and Iraq

Gains against the group remain fragile

An increase in ISIS attacks this year in **Syria** and **Iraq** suggests the group has [re-calibrated](#) its strategy and consolidated its capacity. The group has executed sophisticated attacks in eastern Syria targeting tribal leaders, members of the Kurdish Democratic Forces and the Syrian Army. The high concentration of activity along the Euphrates river this year demonstrates ISIS' growing [sphere of influence](#) and its increasing freedom of movement. ISIS remains well funded – reserves are estimated at up to US\$300 million. The increase in training camps in Syria also suggest ISIS' recruitment is ongoing. The group has arguably leveraged the disruption presented by President **Trump**'s hot-and-cold [approach](#) to the region and the multitude of international actors with competing strategic interests.

Although attempts by the 82-member Global Coalition to defeat ISIS managed to destroy the physical Caliphate, the coalition appears too crude an instrument to be effective in dismantling the highly adaptable and resilient terrorist group. Trump's decision to withdraw a further 2,500 troops from **Afghanistan** and Iraq by early January – just five days before President-elect Joe **Biden** takes office – means that Biden may inherit a less stable region. Biden has committed to maintaining a small and “focused” presence in the region – [likely](#) around 2,000 troops across **US** counter-terrorism missions. This approach will require the US to continue to work through local forces. Without addressing the underlying economic, political and social drivers that succoured the expansion of ISIS, there is unlikely to be serious progress.

Ships carrying Australian coal stranded in Chinese waters

The stand-off – underway since at least June – has escalated to the ministerial level

As the list of **Australian** exports targeted by **China** continues to grow, a new dimension to the spat has emerged – involving **India**. According to various sources, twenty giant bulk carriers carrying around A\$200m worth of Australian coal are anchored off the northern Chinese port of Jingtang and unable to offload their cargoes. Fifteen of the twenty ships have been waiting to offload their cargoes since June – despite normal waiting times at Jingtang during busy times typically being no more than 20 days.

One of the ships, the **Indian**-owned and crewed Jag Anand, has been prevented from leaving Chinese waters by local authorities – even after **Japan** agreed to buy its cargo. The Jag Anand had sailed into Jingtang in mid-June, just two days before bloody skirmishes broke out in the ongoing Sino-Himalayan border dispute. This unfortunate coincidence has raised fears that the Jag may be being held hostage. Diplomatically, the incident may only serve to push Australia and India closer together. Trade Minister Simon Birmingham has publicly labelled the treatment of the sailors as “unacceptable”. With Australian exports of coal to China appearing to be significantly restricted, Australia has been forced to diversify its shipments into **Vietnam** and India. While these markets will be safer from geopolitical tensions, they are unlikely to be as lucrative.