

VOL 37 | NOVEMBER 2023

CHINA & US FOCUS DIGEST

CHANGE AND PROGRESS



HONG KONG
FORUM *on* 20
U.S.-CHINA RELATIONS 23
香港中美論壇

ISSN 2414-0783



9 772414 078005

CHINA & US FOCUS

This special edition of *China-US Focus Digest*, commemorating the Hong Kong Forum on U.S.-China Relations 2023, was prepared by the Digital+ team at the China-United States Exchange Foundation (CUSEF), led by Peng Hui, Hong Chang and Zhu Yinghuang.

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With special thanks to Chatham Strategies and Shanghai Institutes for International Studies for their support to www.chinausfocus.com and *China-US Focus Digest*

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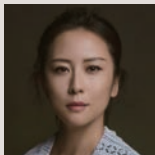


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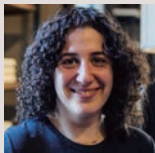


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Bringing People Together in Divided Times

Forty-five years after normalization, relations between the world's two largest economies have declined to a state that is fragile, uncertain, and concerning. This should be a time for celebration. Instead, the trust and goodwill that characterized the events of January 1979, when U.S. President Jimmy Carter and Chinese leader Deng Xiaoping captured the public's imagination, have now been replaced by fear and suspicion.

Trust, exchange, and understanding are the cornerstones of our work at the China-United States Exchange Foundation, a non-profit founded by Mr. Tung Chee-hwa, our Chairman Emeritus and First Chief Executive of Hong Kong. Now in its 15th anniversary year, CUSEF continues to bring people together in divided times, including at our landmark annual meeting, the Hong Kong Forum on U.S.-China Relations.

This year, in addition to experts and leaders from the two countries, we have expanded our outreach to include speakers from Europe, greater Asia, and beyond, to more accurately reflect the global stakeholders in a bilateral relationship of truly global consequences. José Ramos-Horta, President of Timor-Leste and Nobel Peace Prize laureate; Shyam Saran, who served as India's Foreign Secretary; and

Edward Holmes, a British virologist at The University of Sydney who was the first person to publish a genetic sequence of SARS-CoV-2, are among our speakers at the Hong Kong Forum in 2023.

The conversations and opinions in this special edition of *China-US Focus Digest* reflect the values of respect and inclusivity that we champion. We believe that the two countries have the capacity to shape the future and help ensure the well-being of humanity. More than ever, they must lean into compassion and leverage the people and communities trusted by all sides to pave the way to a more peaceful world. I hope you enjoy the content we have created on the following pages—but more so, we invite you to participate in this global journey, as we collectively work towards a better future.



James Chau

President

China-United States Exchange Foundation



- ◀ On January 1, 1979, China and the United States issued a joint statement announcing the establishment of formal diplomatic relations. From January 28 to February 5, Chinese leader Deng Xiaoping and his wife Zhuo Lin made the first official visit to the United States.



CHINA-UNITED STATES
EXCHANGE FOUNDATION
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15 YEARS OF TRUST,
EXCHANGE AND UNDERSTANDING





Will China-U.S. Relations Stabilize?

- Wang Jisi is Professor Emeritus of the School of International Studies, Peking University, and a Senior Fellow at the China-United States Exchange Foundation.

The China-U.S. relationship is not going to rise from its low point anytime soon. An election year is approaching in America, and it will be fraught with anti-China rhetoric. With few opportunities for the leaders to meet and set a new course, the upcoming APEC leaders meeting in San Francisco will be pivotal.

While participating in a China-U.S. academic exchange event in early October, I met with some American officials, think tank members, experts and scholars. What I heard was at once inspiring and worrying about China-U.S. relations — inspiring because all the Americans expressed positive views about the bilateral relationship's momentum, about stopping its free fall and seeing it stabilize. Ranking officials of the Biden administration, senators of both political parties and such luminaries as Henry Kissinger have visited China, and people-to-people exchanges are beginning to recover.

It was also worrying because the United States has redoubled its efforts to suppress China in high-tech areas, and the two governments' strategic divergences in other realms have not narrowed. Bilateral ties still face uncertainties as the U.S. approaches 2024, a general election year, and fierce domestic political struggles and such geopolitical conflicts as the Ukraine and Palestine crises may yield even greater negative impacts on the two countries' relations.

Upon taking office in 2021, U.S. President Joe Biden inherited the basic framework of the Trump administration's China policy, taking China as America's greatest geopolitical challenge. The administration has composed a systematic China policy, engaging in competition with China in such fields as politics, economy, technology, military, diplomacy and international security. Meanwhile, the U.S. Congress has passed a series of anti-China acts by overwhelming majorities, indicating that the two major political parties have reached broad consensus on China.

I found during all four of my U.S. visits after February 2022 that they hardly disagree at all on defining China as a long-term strategic competitor — despite such geopolitical challenges as the Russia-Ukraine conflict and the fact that U.S. policymaking circles

have different voices on China. Therefore, the outcome of next year's elections will not change the trend of U.S. China strategy.

It was also worrying because the United States has redoubled its efforts to suppress China in high-tech areas, and the two governments' strategic divergences in other realms have not narrowed.

At the same time, the majority of Americans I met expressed hope of avoiding military conflict or war with China. During my latest visit, almost all of the Americans expected that China-U.S. relations would stabilize, but they did not anticipate improvement. This means the U.S. on one hand wants to maintain a posture of strategic competition, and will not hesitate to sacrifice some economic interests and pay some political price in order to outcompete China. On the other hand, it will attempt to maintain the general stability of relations, so as to not affect overall U.S. global strategy or intensify domestic contradictions.

Some Americans predict that before the political campaign gets white-hot next year, if the Biden administration manages to improve relations with China the so-called China hawks will assign blame for being too soft on China, which will be damaging to the Democratic Party's campaign efforts. Likewise, if relations with China deteriorate seriously and fundamentally undermine U.S. economic interests or national security, this won't help the Democrats either. This is the domestic political consideration behind the U.S. side's current efforts to "stabilize" relations with China.

Against this backdrop, the U.S. has shown increasing enthusiasm about official, semi-official and non-governmental exchanges with China. At the invitation of U.S.



◀ China's Foreign Minister Wang Yi (left) meets with U.S. Secretary of State Antony Blinken at the State Department in Washington on October 26-27, 2023.

Secretary of State Antony Blinken, CPC Politburo member and Foreign Minister Wang Yi is visiting the U.S. and may meet with President Biden. Following that is a possible bilateral meeting between Chinese and U.S. leaders on the sidelines of the APEC leaders meeting in San Francisco in mid-November, which may be the first meeting of the two countries' top leaders in the U.S. since President Xi Jinping's April 2017 official meeting with Donald Trump.

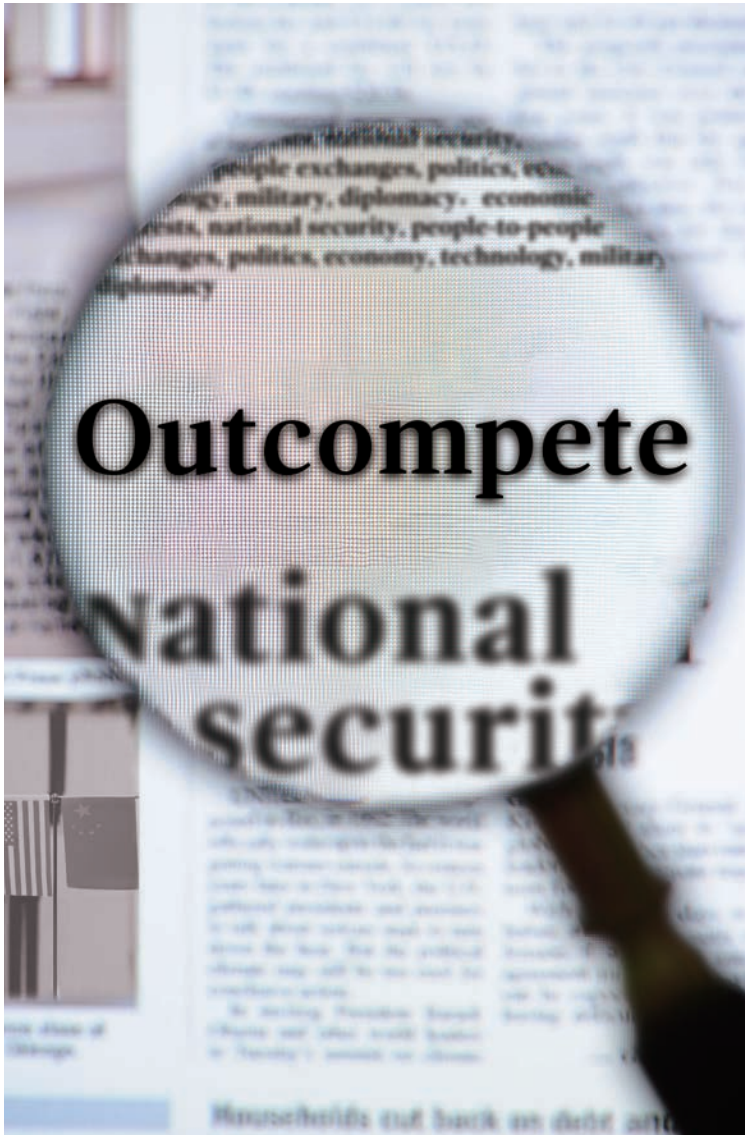
There will not be many opportunities for a meeting between Chinese and U.S. heads of state after the U.S. enters the election year. Hence, the San Francisco meeting will be of profound significance. It could set the tone for stable China-U.S. relations in the near future, while make arrangements for next year's official bilateral interactions.

The U.S. side has raised the fentanyl issue in relations with China. A synthetic drug that emerged in 1960, fentanyl was originally used for medical analgesia. Since its anesthetic potency is dozens of times stronger than heroin, and because it is cheap to make and easily addictive, drug dealers have mixed it with various other drugs.

In recent years, drug abuse has surpassed gun violence and traffic accidents to become the No. 1 cause of accidental death in the U.S. Among them, the abuse of such opiate-type drugs as fentanyl have been the most serious, causing more than 100,000 deaths annually. The fentanyl issue has thus become one of the most concerning socio-political topics in the U.S.

There will not be many opportunities for a meeting between Chinese and U.S. heads of state after the U.S. enters the election year.

The American side claims that Chinese chemicals flow into Mexico and then into the U.S. after being turned into fentanyl, and it is asking China to help crack down on the illegal fentanyl trade. Recently, the U.S. has indicted and sanctioned some Chinese firms and citizens based on allegations they were involved in producing and selling chemical precursors of fentanyl and related equipment.



The Chinese government has attached great significance to the fentanyl issue. It has listed fentanyl and its analogs as controlled items; implemented strict supervision and regulation over its production, sales, use, import and export; made active efforts to prevent illegal production, trafficking and abuse; and played an important role in the process. Multilayer, multichannel

anti-drug cooperation mechanisms have been established between China and the U.S. Although the fentanyl issue is mainly a humanitarian disaster resulting from America's own lax regulation and should not be blamed on China, the Chinese government will continue its anti-drug cooperation.

In current China-U.S. exchanges, the Taiwan question remains the foremost concern of the Chinese side. Taiwan will elect its political leaders in January, but new leadership will not assume office until May. It is foreseeable that this period of time will be sensitive for relations across the Taiwan Strait, and between China and the United States. The Chinese side is justified in requiring the U.S. side to be prudent about its words and deeds regarding Taiwan.

As the frequency and level of China-U.S. exchanges increase, one to-do list after another may be proposed. For example, such multilateral security crises as Ukraine and Palestine call for China and the U.S. to coordinate. They should not be allowed to become factors enlarging China-U.S. strategic divergences. We must realize that the China-U.S. relationship is not going to rise from its low point anytime soon. The mishandling of any accident might bring the hard-earned momentum back to its nadir.

During my early October visit to Washington, an American official told me he was "cautiously optimistic" about the orientation of China-U.S. relations and asked for my opinion. My reply was, "I'm only cautious, but not optimistic." I wish he had been right.

Restoring Some Normalcy

■ **David Shambaugh**

China's Foreign Minister paid an official two-day visit to Washington last week, laying the groundwork for an anticipated meeting between Presidents Joe Biden and Xi Jinping in November. The two sides had a "constructive" and detailed set of discussions on specific issues, but the most important outcome may be that a normal diplomatic interaction took place after a long hiatus and substantial acrimony in the bilateral relationship.

China's Minister of Foreign Affairs Wang Yi paid an official visit to Washington on Oct. 27 and 28. Wang's visit was his first to the U.S. capital in five years and matched U.S. Secretary of State Antony Blinken's visit to Beijing on June 18 and 19.

Blinken had originally been scheduled to visit Beijing in January, following the summit meeting between Presidents Joe Biden and Xi Jinping in Bali last November, when the two leaders agreed to a calendar of reciprocal ministerial-level visits. But that visit was postponed fol-

lowing the balloon incident — a Chinese reconnaissance balloon that traversed the United States and sensitive military installations before being shot down on Feb. 4.

In the interim, the two governments have managed to restart a handful of ministerial/cabinet visits. U.S. Treasury Secretary Janet Yellen and Special Climate Envoy John Kerry visited Beijing in July, followed by Secretary of Commerce Gina Raimondo in September. Chinese Minister of Commerce Wang Wentao visited



◀ U.S. President Joe Biden meets with Chinese Foreign Minister Wang Yi at the White House on Oct 27, 2023.

the United States in May, as have a few second-echelon Foreign Ministry officials. U.S. Senate Majority Leader Chuck Schumer, a New York Democrat, led a bipartisan senatorial delegation to Beijing last month, and California Governor Gavin Newsom was in Beijing in late October. National Security Adviser Jake Sullivan also met Wang Yi in Malta in September.

U.S. administration officials argue that “intense competition requires intense diplomacy.”

Beneath these higher profile exchanges, the two sides have set up a number of working groups — economy (U.S. Treasury and Chinese Ministry of Finance), finance (U.S. Treasury and People’s Bank of China), export controls (U.S. Department of Commerce and Chinese Ministry of Commerce) and Asian Affairs (U.S. Department of State and Chinese Foreign Ministry). There is also apparently a working group that’s looking into America’s fentanyl crisis, although it is unclear who the official counterparts are.

All of these exchanges are intended by both sides to restore some degree of normalcy to the strained bilateral relationship. “Keeping channels of communication open” has been the mantra and stated priority of the Biden administration over the past year, and it is the American side that has seemingly been the ardent suitor, while Beijing has been more hesitant to engage. Most pointedly, the Chinese side has refused altogether to engage in military-to-military dialogues. The Biden administration sees such channels of communication as important guardrails as it seeks to create mechanisms to responsibly manage the U.S.-China re-



■ David Shambaugh is Gaston Sigur Professor of Asian Studies, Political Science & International Affairs and Director of the China Policy Program at George Washington University in Washington, DC.

lationship. U.S. administration officials argue that “intense competition requires intense diplomacy.”

Engaging in such normal diplomatic interactions might not seem out of the ordinary, but given the strains in the relationship and general atrophy of ties in recent years, such interactions had ground to a virtual halt. For more than a year, even the American ambassador to China, Nicholas Burns, could not get meetings with Chinese government officials (paralleling

similar difficulties that former Chinese ambassador to the United States Qin Gang had experienced).

On the eve of Wang Yi's visit to Washington, senior administration officials argued that the overall relationship is in "a better place than six months ago because channels of communication are more open." When President Biden met Wang at the White House he also emphasized that "both the United States and China need to manage competition responsibly and maintain open lines of communication, underscoring that they must work together to address global challenges."

Both governments will continue to take unilateral steps while simultaneously engaging.

Just before Wang Yi's arrival in Washington, the U.S. Government published three new documents of importance with respect to China: an updated list of items subject to export controls; new outbound investment guidelines; and the Department of Defense's annual report to Congress — "Military and Security Developments Involving the People's Republic of China." This shows that both governments will continue to take unilateral steps while simultaneously engaging.

The readouts by both sides following the conclusion of Wang's meetings with President Biden, Secretary of State Blinken and National Security Adviser Sullivan did not reveal much. The State Department said the talks included "areas of difference" as well as "areas of cooperation," while the Chinese side simply characterized the discussions as an "in-depth exchange of views on issues of common concern in a constructive atmosphere."

It was reported by the U.S. side that the agenda of topics in Wang's meetings included Russia's war in Ukraine (and North Korea's military assistance to Russia to help wage it); Israel's war against Hamas in Gaza, along with Iranian support for Hamas and Hezbollah; human rights violations in China; China's export of fentanyl precursors to Mexico; "cases of concern" involving the detention of U.S. citizens in China (or citizens prevented from leaving); certain economic and trade issues; China's recent aggressive moves in the South China Sea against the Philippines, a U.S. ally; and "coercive and risky" Chinese fighter jet intercepts of American aircraft in international airspace, including one extremely provocative and risky encounter this week when a J-11 fighter repeatedly passed within 10 feet of a B-52 bomber on patrol over the South China Sea; and Taiwan.

Both sides have been doing their best to improve the atmosphere in the relationship, in anticipation of a Biden-Xi in-person meeting on the sidelines of the APEC summit, which will take place in San Francisco from Nov. 11 to 17. After Wang Yi's visit, both sides said they were "working toward" such a meeting, although President Xi has not yet confirmed whether or not he plans to attend APEC.

Both sides have been doing their best to improve the atmosphere in the relationship, in anticipation of a Biden-Xi in-person meeting on the sidelines of the APEC summit.





“You have to be patient, be positive and be persistent.”

INTERVIEW: Max Baucus

How to Reset Relations

Reflecting on his experience in China as the U.S. Ambassador appointed by President Barack Obama, Max Baucus unlocks the key principles of productive engagement. As the relationship experiences profound challenges, there is an increased need for more people-to-people exchanges, Baucus says in an interview with James Chau at China-United States Exchange Foundation.

In June of 2023, Baucus and the Baucus Institute took a student delegation from Montana to Hong Kong, Beijing and Shanghai, engaging in people-to-people diplomacy and cultural exchanges. The students were the first university delegation to visit China since the start of the COVID pandemic.

-
- Max Baucus is the 11th United States Ambassador to China under the Obama administration. He is a native of Montana and served as a United States senator from Montana from 1978 to 2014. As Chairman of the Senate Committee on Finance, Ambassador Baucus led the passage and enactment of Free Trade Agreements with 11 countries.

James Chau

Ambassador Baucus, welcome back to Hong Kong. Were you surprised that Chinese President Xi Jinping and Secretary of State Antony Blinken met? (Xi and Blinken met in Beijing on June 19 during Blinken's trip to China) And what do you think of the first outcomes of that?

Max Baucus

Well, I was not surprised, because I think that both countries are now doing their very best to try to reset the relationship, trying to get it more stable, trying to prevent any downward spiral. It was an opportunity for President Xi to signal to the world, not only to United States and to China, that he really wants this relationship to work.

James Chau

The secretary of state spoke about Taiwan. He said that U.S. policy has not changed. What are your thoughts on that?

Max Baucus

Oh, he had to say that. There was no question. That's American policy. The real question, though, is what follows. I think the real question is: will the United States honor it in practice, as well as in principle? I think, frankly, that Americans do not fully understand that to China, Taiwan is existential. It's non-negotiable. And I don't think Americans understand the history well enough to know how important Taiwan is to China.

James Chau

You've met and worked and interacted with Wang Yi, Anthony Blinken, Joe Biden and President Xi — all of these figures individually. What would you tell them now about using this new momentum to get back to a more stable dynamic?

I think, frankly, that Americans do not fully understand that to China, Taiwan is existential. It's non-negotiable.

Max Baucus

Number one, neither side should publicly criticize the other. Because whenever you criticize somebody, it's counterproductive. Rather, if we have a message to you, United States to China or China to the United States, if it's sensitive do it privately. Not publicly but privately. But be very clear about it, very firm about it. Second, after the words, don't do anything that upsets the words, don't upset the nice-sounding agreements that came out of these meetings. It's going to require great discipline on the part of China and the United States to not take any actions that are adverse to what they've agreed to. And that's going to take a lot of effort, because otherwise there's a decent chance that something untoward is going to happen.

James Chau

My concern is that they will now revert to domestic politics — trying to address domestic demand, so to speak — and particularly in the United States, where you're entering a new election cycle. Do you think, to be fair, one can expect discipline from them? To be quite honest, U.S.-China is important, but they have other considerations to balance.

The reality is that both sides really want to work together.

Max Baucus

Even though many members of Congress are very critical of China, and even President Biden has been a bit critical of China, there's a decent chance that this reset, if you will, will last and that the elections will not unnecessarily complicate matters. Why do I say that? I say that in part because the reality is that both sides really want to work together. President Biden does, and certainly President Xi does. And both countries need each other. And so I think there's a decent chance that they're going to keep working hard to try to maintain that relationship. There is going to be a lot of noise from Washington against China. But I think the administration did a pretty decent job managing that. I'm optimistic, frankly.

James Chau

I'm staggered that despite all the ups and downs it seems that bilateral trade was the highest on record last year, at around \$700 billion. If you keep that figure in mind in the context of unfavorable conditions, what excites you about the future?

Max Baucus

I'm very impressed with the competitiveness of a lot of Chinese companies, and very im-



pressed with Chinese moving so much toward electrical vehicles, and electrification. And some of those technologies are not going to be utilized in the United States. BYD has done a super job. They manufacture so many electric vehicles, and are now starting to sell them and become popular in the U.S. as well. I think all that is really positive. It's going to open up some eyes in the United States about the quality of Chinese cars, but especially electric vehicles. I would hope that the two countries would act more aggressively on climate, because, frankly, it's very difficult for the countries in this planet to address climate change sufficiently unless the U.S. and China work together to address climate.

James Chau

Speaking as a longtime senator from Montana and an ambassador, but also as a hus-



band, as a father, as a grandfather of three grandchildren, how do you build trust? And how do you make trust the driving force in a relationship with another side?

Max Baucus

First, you've got to be honest. Second, do it gracefully. You do it constructively. Do it respectfully. And third, you keep an eye out over time. You have to remember that if you do anything that breaks that trust, it's going to be almost impossible to rebuild it and bring it back.

James Chau

The secretary of state says we're not going to have success on every issue between us on any given day, but in a whole variety of areas. On the terms that were set for this

trip. We have made progress; we are moving forward. How do you restore trust in that specific context?

Max Baucus

Begin with the realization that we need each other. China is not going away. China is always going to be here. The United States is always going to be here. It's kind of awkward using the metaphor I came up with: It's like an arranged marriage. It's the geopolitical forces of the world, the rising China and the established power, the United States, have to live on this planet together. We can't avoid it. It's like an arranged marriage. It's a marriage. We don't love each other. But we have to accommodate each other. And there's no divorce because we can't leave this planet — neither country can. And so even though there have been ups and downs, you have to keep working at it.

You have to remember that if you do anything that breaks that trust, it's going to be almost impossible to rebuild it and bring it back.

James Chau

You served in China under President Obama. What was some of the nuanced events that you recall, or even the people of that time?

Max Baucus

When I was working with the Chinese, I developed what I call my three Ps. You have to be patient, be positive and be persistent. Just stick with an issue positively, and be patient. And after a while it works out. But just don't be negative, don't be critical. Be patient, be positive and persis-

tent. Just stick with it and stick with it in a very positive way. And I found that generally to be quite constructive.

James Chau

The three Ps, as you've just laid out, would you say that the Americans should keep this in mind in the U.S.-China relationship context? Or would you say more so the Chinese need to practice patience, perseverance and positivity?

We don't love each other. But we have to accommodate each other.

Max Baucus

It's naturally a part of the Chinese culture to be patient, positive and persistent. It's not really an American concept. Americans tend to be impatient. And they'll be outspoken. That's just America. I think a better solution would be for many more Americans to visit China. There's way too little communication between the two countries. When I served as ambassador, we had about 300,000 Chinese students who went to America, at that time, but only 25,000 American students who came to China. Today, it's much worse: only about 600 people. Six hundred students come to China. There's just no communication; virtually none. And that's really an important point to make with respect to the recent visit by Secretary Blinken to China. I hope it's the beginning of many more interchanges. I believe very strongly if more Americans, including the United States government, were to spend more time in China, they would get a better idea that things are a little more shaded gray, and not as much black and white as many American politicians think.





▲ The Montana students were the first university delegation to visit China since the COVID pandemic.

Clockwise from top left: visiting the Tsinghua University and exchanging with students on public service, diplomacy and environment; visiting the Forbidden City and the Great Wall in Beijing; embarking on an amazing Hong Kong TramOramic tour on a 1920s-style tram; watching Kunqu Opera and performing the water-sleeve dance in Shanghai.



Can China and U.S. Compete Normally?

■ Da Wei

The answer is yes, although it's not ideal. It can give both countries space to developing and address domestic challenges. If both Beijing and Washington reshape their thinking, they stand a chance of molding a new normal.

In November 2022, the presidents of China and the United States came together at the G20 summit on the island of Bali, Indonesia, and agreed in principle on ways to stabilize bilateral ties. The process was interrupted by the Chinese balloon incident, and the two countries squandered a few months until sending senior officials to restart the process this summer. Now, one year has passed since Bali, and the two presidents are expected to meet again at the APEC Leaders' Summit. What direction is the Sino-U.S. relationship heading now?

China-U.S. relations may at least enter a period of normalized competition — which is by no means an ideal state but one that is likely to give both countries space to continue developing and addressing their domestic challenges.

After a few years of intense rivalry, some basic facts have become clearer: First and foremost, the rivalry (or competition) between China and the U.S. will be long-term. The antipathy will not be resolved anytime soon. Second, neither side will have a clear victory. The U.S. position on the world stage cannot easily be replaced, while China's economy will continue to grow. Third, neither a hot war nor a U.S.-Soviet-style cold war can be excluded, but at least the likelihood is not high. Fourth, few countries in the world want to choose sides, and no global challenge can be resolved if China and the U.S. fail to collaborate.

If these facts are accepted by both and the current momentum continues to build, China-U.S. relations may at least enter a period of normalized competition — which is by no means an ideal state but one that is likely to give both countries space to continue developing and addressing their domestic challenges. Perhaps this arrangement is acceptable to both Beijing and Washington. If

so, the two sides should be able to make further efforts in both concepts and actions to shape a new normal.

At the concept level, China and the U.S. should clarify the goals of their competition and manage their understanding of bilateral ties. In the past five years, the two countries have never reached consensus on how to define their relationship. Washington has been defining bilateral ties as “strategic competition,” which, from the Chinese perspective, is an attempt to suffocate the possibilities of China’s development and rise and to engage it in a life-or-death fight.

Beijing has never agreed with the notion of strategic competition. As the two sides have failed to reach common understanding and objectives in their relations, it’s hard for them to meet each other halfway. Instead, the two countries have been doomed to mutual strategic suspicion, rendering them unable to take advantage of windows of opportunity when they open.

Beijing and Washington have been going in the right direction in recent months. What they need to do now is keep up the momentum and produce results.

To achieve normalized competition, we must have rational expectations. We should refrain from forming overly optimistic expectations of China-U.S. relations at this summit. Under normalized competition, the China-U.S. relationship remains based on major power competition, which can be stabilized but is hard to improve dramatically. Bilateral ties remain fragile. In addition, over-optimism about the upcoming summit may end in disappointment and even trigger a stronger sense of frustration. That said, we should always cultivate confidence and imagination for stabilizing China-U.S. ties.



■ Da Wei is Director of the Center for International Security and Strategy and Professor of Department of International Relations at the Tsinghua University.

Beijing and Washington have been going in the right direction in recent months. What they need to do now is keep up the momentum and produce results.

First, they can expand intergovernmental dialogue mechanisms and platforms, guided by the leaders’ summit. Departments and ministries overseeing diplomacy and economics in both nations have, in recent months, established several joint working groups. More are expected to be set up and cover more realms, in particular military-to-military dialogues and people-to-people exchanges.

Both sides should strive to make dialogues more frequent. Furthermore, cross-agency dialogue mechanisms should be launched, such as diplomacy with military, law enforcement and education. Within the joint economic working group, a cross-agency dialogues between officials and experts on trade, monetary, fiscal and industrial policies are expected to be enhanced.

Second, both countries should adopt “de-securitization” measures in the arenas of economics and trade, as well as culture and society. China and the U.S. need to act fast in concert to remove policy barriers blocking people-to-people exchanges.

In this tough situation, we need cautious optimists and go-getters to bring success.

Washington should consider combing through and adjusting its sanctions and restrictions, especially those policies that are not fair — even by its own standards — and which will eventually harm itself. Meanwhile, Beijing should mull over adjustments to its regulatory policies, providing clearer explanations about certain laws and regulations. In these areas, the two sides need to sit down to check and discuss details one by one. The “small-yard, high-fence” paradigm will continue to exist, but it’s possible to shrink the yard and stabilize the fence.

Third, both sides should strive to avert and manage crises in military-to-military confrontations, especially the Taiwan question, to minimize the possibilities of any accident and to ensure that the communication mechanisms are

open whenever an incident arises. Both sides should learn lessons from former U.S. House Speaker Nancy Pelosi’s visit to Taiwan in August 2022, and from the balloon incident in February this year, to avoid politicization.

The “small-yard, high-fence” paradigm will continue to exist, but it’s possible to shrink the yard and stabilize the fence.

Fourth, China and the United States need concrete achievements from their cooperation on climate change, public health, artificial intelligence, and the Ukraine crisis.

Time waits for no one. The window of opportunity that Chinese and U.S. leaders open by meeting in person will be fleeting. Whether or not both sides can seize that opportunity will affect how the two powers will develop in future decades and how members of the next generation will live their lives.

The pessimistic view of overall China-U.S. relations always sounds true, but pessimists will never be able to bring the relationship out of the quagmire of the Thucydides Trap. In this tough situation, we need cautious optimists and go-getters to bring success.

INTERVIEW: Michael D. Swaine

Presidents Should Speak With One Voice

In the interview with James Chau of China-US Focus, Dr. Michael D. Swaine, an expert in China and East Asian security studies, explains why the two governments need to acknowledge their own contributions to mutual mistrust and the decline in bilateral relations. He also sees China as a key player on the world stage that needs to exercise its influence more directly. The interview has been lightly edited for clarity.



James Chau

Crisis management between the U.S. and China is critical for all aspects of global stability. With that in mind, what would you tell Washington and Beijing about the areas they need to focus on to keep the world level?

Michael Swaine

I think there needs to be a really top-level, presidential-level signal to both militaries that they need to resume their crisis dialogue. And they need to focus on both crisis management and crisis prevention. The big sticking point has been that the Chinese are more interested in the latter — crisis prevention. Which means, how do you change policies to make sure crises don't occur in the first place? The Americans, on the other hand, are focused more on what happens at the point of crisis — how do we avoid it escalating into conflict? The Chinese seem to think that crisis management is really just a way of allowing the United States to continue pushing the envelope. And so for them, it's not as attractive a kind of dialogue as it would be to have crisis prevention.

But I think there's a way to overcome that with certain types of changes in the formatting and the definition of the kinds of behavior. That should be done with a boost from a high level, from the presidential level, and it needs to be a sustained effort. Crisis management is not just a military-to-military issue. It's a much bigger issue that has to do with the underlying assumptions and perceptions of both sides, and how they look at the other and themselves to a certain extent in managing or avoiding a crisis. There are certain attitudes or perceptions to which both sides fall prey and that really make it much more difficult to manage a crisis.



- Michael D. Swaine is a senior research fellow at the Quincy Institute for Responsible Statecraft. Prior to this, he worked for 20 years as Co-director of the China Program and Senior Associate in the Asia Program at the Carnegie Endowment for International Peace and another 12 years at the RAND Corporation, focusing on China-related security topics.



So they need to talk about those issues as well, not just mechanisms for having early contact. They need to really get into what is it that causes escalation in a crisis. How do we best avoid some of the pitfalls of that? I think that's important to do.

James Chau

What would you tell the U.S. now about minimizing the risk of conflict with China, especially around Taiwan?

Michael Swaine

Well, I think to minimize the risk of conflict, especially around Taiwan, there needs to be a revitalization, as I call it, of the original understanding that was esta-

blished between the United States and China at the time of normalization and diplomatic recognition in the 1970s. And that was a one-China policy, not the one-China principle of Beijing but the U.S. one-China policy, and Beijing's commitment to pursuing peaceful unification as a top priority. Even though it doesn't disavow the possibility of force, it still has adhered to the preference to try to have a peaceful negotiated resolution.

The United States needs to place very clear limits on the level of interaction with Taiwan.

Both of these policies have eroded considerably over recent years. The United States needs to place very clear limits on the level of interaction with Taiwan. The U.S. has to reaffirm its view very clearly that it's open to a peaceful, uncoerced resolution of the issue, regardless. Whether it's unification or independence, the U.S. position has always been that it doesn't care what the outcome is. It cares about the process. It doesn't want a violent resolution. It doesn't want coercion. It wants a peaceful negotiated settlement, whatever that might be. The U.S. doesn't say that anymore; it looks like it's giving Beijing too much license. And I think that's wrong. It really does undermine the one-China policy.

Beijing needs to seriously reconsider that whole formula and come up with something that's much more attractive to Taiwan.

Another thing U.S. officials need to do much more clearly is to state that Taiwan is not a strategic asset, a strategic node, as it was called by a senior U.S. defense department official in congressional testimony. That, again, is contradictory to the one-China policy. The U.S. should also stop trying to push different countries to not change their recognition of China or their diplomatic relationship. The United States changed its diplomatic recognition from Taiwan, from the Republic of China, to Beijing back in 1979. And yet here we are telling other countries they shouldn't be doing this.

I think the Chinese themselves need to do certain things as well. I think they need to be much clearer that they have no deadline for unification. President Xi Jinping has connected the rejuvenation of China by mid-centu-

ry with Taiwan unification, and that has put in many people's minds the idea that there is a deadline, there is a timeline. But China seems willing to exercise patience as long as there is not some radical shift in the current situation — that it won't use force against Taiwan unless it is backed into a corner.

Beijing also needs to be willing to reduce its military activities around the island and reduce the level of military intimidation that it's currently carrying out if tensions abate between the two sides. It needs to start developing an idea for possible future unification that goes beyond the "one country, two systems" formula that it continues to tout, which really rings hollow now in Taiwan. Very few if any Chinese in Taiwan want to see any version of one country, two systems as defined by Beijing applied to Taiwan. So I think Beijing needs to seriously reconsider that whole formula and come up with something that's much more attractive to Taiwan.

James Chau

Is there a workable way forward that meets both Taiwan security needs and U.S. interests? On top of that, is Beijing really contributing to peace and stability in that region and around the world?

Michael Swaine

I don't think there is a radical strategy, or a new strategy, vis-a-vis Taiwan itself, that is going to alter the dynamic here of the basic level of tension over the issue between the United States and China. But I think in order to make this possible, what we need to do is improve the larger relationship. It's really the deepening of suspicion, the deepening of worst-casing, in terms of intentions and motives by both sides, the deepening of these zero-sum types of approaches to a whole range of issues, that is really the source of so

many of the problems that we're facing with Taiwan and other issues with Beijing.

Both sides need to recognize that there's an interactive dynamic here in which they both enact policies and take actions that really do make the situation worse, and yet each side completely ignores this. You don't have any recognition even on a private level, it seems, in Track 1 discussions that each side is doing or saying things that, at least potentially, that could make the problem worse in the relationship. Each side points the finger at the other.

The Chinese, in particular, are very vocal about this, saying that everything would be fine if the United States would start treating China in a more balanced way, more reasonably, more realistically. And the Americans have the same kind of posture. But of course governments are not going to come out and say, "We're contributing to the problem," but there are ways to recognize and acknowledge that there's an interactive dynamic going on, and that both sides contribute. Therefore, you need to have a dialogue that seriously addresses that dynamic and that talks about what can be said or done to reassure the other side that its worst-case assumptions, in fact, are not going to happen, or not true. And I think that does require a sustained, meaningful, strategic dialogue.

But of course governments are not going to come out and say, "We're contributing to the problem."

James Chau

You've said that a game-changer would be getting the two men who lead China and the U.S. together. And there is a potential opportunity in San Francisco, at the APEC leaders meeting. What shape and form could a meeting between President Joe Biden and President Xi Jinping look like? What are the consequences if that meeting doesn't happen?

But there also needs to be some very clear statements by both presidents that on the issues that really divide them right now there needs to be a middle ground found where possible.

Michael Swaine

We need to have another high-level presidential meeting. But such a meeting requires thorough preparation. Often, these meetings, even at the presidential level, tend to just exchange talking points, and we need to get beyond that. As I said before, there needs to be a clear signal sent by both presidents about the importance of establishing a meaningful and ongoing dialogue to be able to deal with the issues of crisis management and prevention. But there also needs to be some very clear statements by both presidents that on the issues that really divide them right now there needs to be a middle ground found where possible. [That means] trade, finance questions, global finance, cyber issues, the tech problem and, I daresay, even a combination by both sides to try to reach some sort of middle ground and talk about this in terms of real substance — concrete things that the two sides might be able to do. If they set up that kind of a dialogue

between the two presidents and they're able to have buy-in for doing certain things, that I would regard as a very successful meeting and could lead to more effective, detailed meetings at lower levels. But they need to set up that framework in advance of the meeting in San Francisco.

Now, if it doesn't occur for whatever reason, if Xi Jinping refuses the meeting or they just decide there's too much danger or risk of negative blowback if they have these meetings, then it really is extremely unfortunate. And it really does set back the relationship again. It makes it seem as if people are really going through the motions of trying to reestablish stability in the relationship, but there's no real support behind it at senior levels. And that will just make the situation worse. People will then reinforce the kind of negative rhetoric and other things that we've been hearing from people in Washington and Beijing. So people will begin to then assume, well, this relationship really is deeply confrontational and we have to behave accordingly. And I think that is a path that's going to lead us to

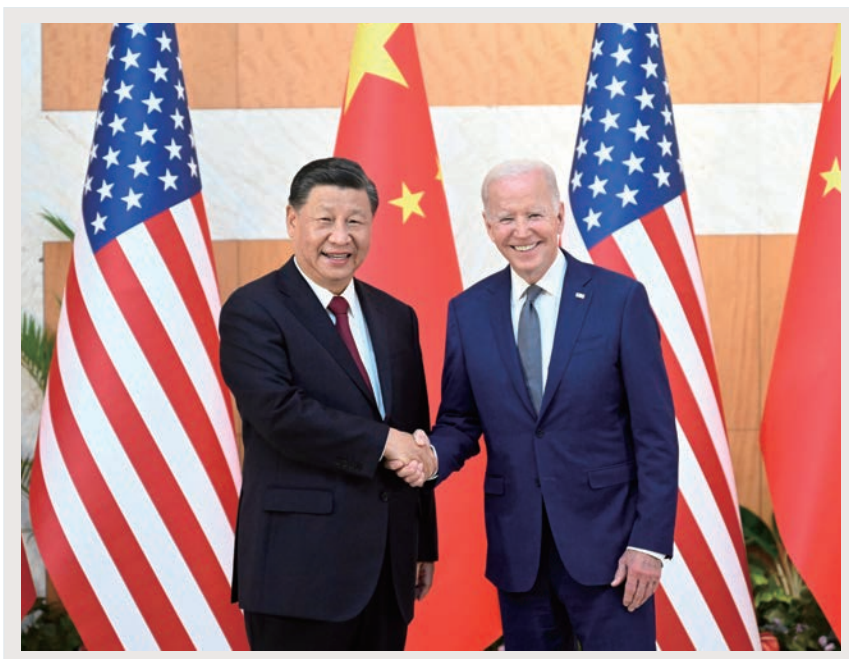
crisis and possibly even conflict over something like Taiwan.

James Chau

The state of U.S.-China relations is a global challenge in itself. But just when you think the world couldn't get more complicated, we now have this problem with Israel and the Palestinian people. Does China have a real role to play in these global issues — especially when people like Chuck Schumer say they're very disappointed with Beijing's initial statements on the problems occurring there?

Michael Swaine

Absolutely. Beijing is a key player in many ways. It has brokered some interactions between other countries. It has made statements that (if it follows through on them) would be very positive for a host of different issues that affect the global community. There's a strong feeling that Beijing says one thing and then does something else. It needs to be more consistent in doing things



◀ Chinese President Xi Jinping hasn't spoken to U.S. President Joe Biden since they met on the G20 summit in Bali on Nov 14, 2022. Recent "candid" talks between U.S. and China senior officials raise hopes of Xi-Biden meeting in California during the APEC leaders meeting this November.

that are more positive and trying to reach some kind of positive middle ground, not just with the United States but with other countries — not necessarily viewing its relations with other countries around the world as part of the larger U.S.-China strategic competition. And the same holds true for the United States.

Everything now is being pushed through a security lens, so that many issues are viewed in terms of U.S.-China strategic competition and security competition. I think that needs to be pushed back against, and Beijing needs to really show that it is sincere in a lot of its desire for establishing greater peace and stability in various areas. And here, in terms of the issue regarding Israel and Hamas, China's view has been to try to duck the basic issue at the moment, which is the horrendous attack by Hamas on Israel, the murdering of women, children, innocent civilians, just indiscriminately by Hamas. And that kind of behavior has no justification to it, and China really should be coming out and saying that sort of behavior is reprehensible and they're against it. And they could also say that they're against all indiscriminate, violent actions taken against civilians, Palestinians, as well.

James Chau

Well, I share your cautious optimism, if only because in the time we've had together you've really shared practical ideas and potential solutions that could break the stalemate on multiple levels at different points. Dr. Michael Swaine, thank you very much for your time.

Michael Swaine

You're welcome. Thank you very much. I really enjoyed it.

Everything now is being pushed through a security lens, so that many issues are viewed in terms of U.S.-China strategic competition and security competition.



Secure the Ballast Stone

Through sincere efforts by the U.S. and China it's possible that the decline in trade will bottom out this year. Strong business relationships can once again serve as a stabilizing factor in the overall relationship, and work to benefit our two peoples and the world.



He Weiren

Senior Fellow
Center for China and Globalization

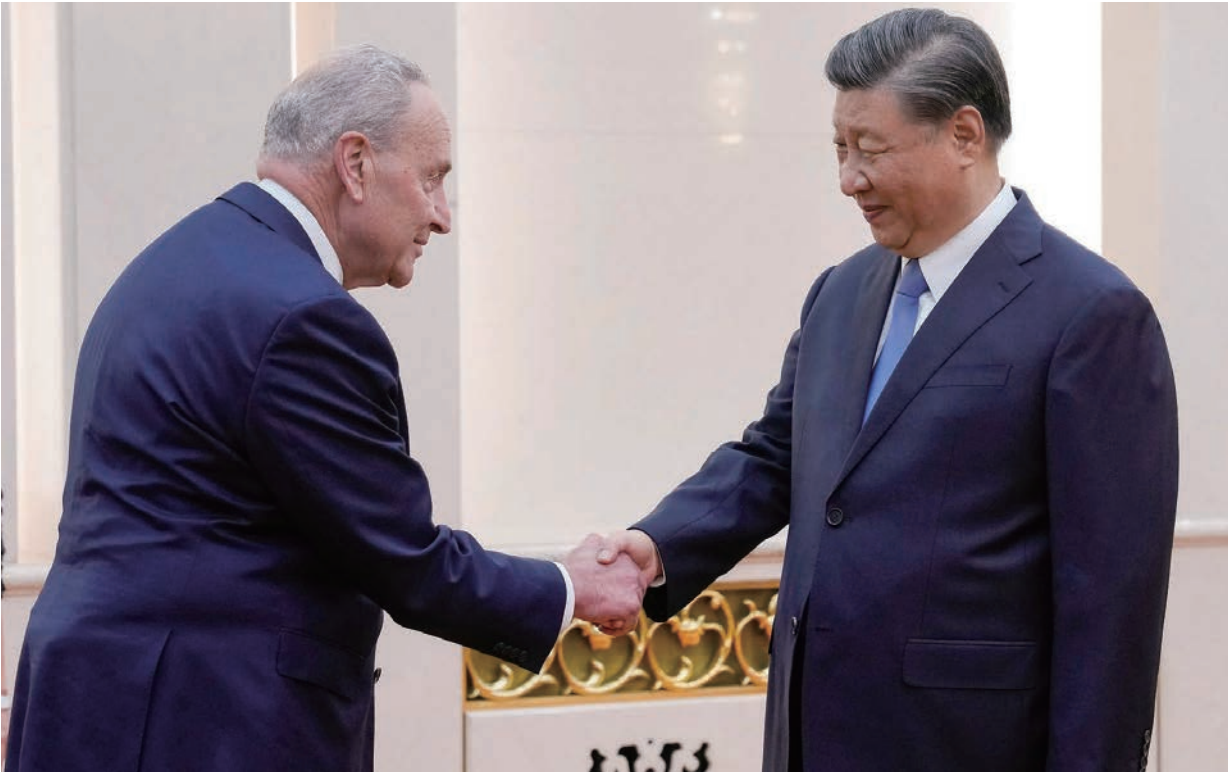
The quickening pace of high-level exchanges between China and the United States in recent months gives cause for cautious optimism about the stabilization of bilateral relations, a matter of vital importance for the whole world.

The four-day China trip by U.S. Secretary of Commerce Gina Raimondo, signaled the debut of an institutional dialogue mechanism on key issues of trade and investment. It included the annual meeting between the two ministers, a working group on special commercial issues and another on export control information, with biannual meetings at the vice minister or director-general levels.

Raimondo described her four-day China trip as “very successful and productive,” and held that the U.S. and China have a massive and consequential economic relationship, which is good for the world, good for China and good for America.

The result was soon reinforced by the setting up of two other joint working groups, on economy and finance, with the first meeting taking place on Oct. 13 between People’s Bank of China Governor Pan Gongsheng and U.S. Treasury Secretary Janet Yellen.

Most significant was the visit of a U.S. congressional delegation to China from Oct 7 to 9, led by Chuck Schumer, the Senate majority leader, and received by Chinese President Xi Jinping. Senator Schumer said that China’s development and prosperity benefits the American people, and that the United States seeks neither conflict nor de-coupling.



▲ U.S. Senate Majority Leader Chuck Schumer met with Chinese President Xi Jinping in Beijing on Oct 9, 2023. This was the first U.S. congressional visit to China since 2019.

New window opens

All the above-mentioned high-level exchanges have had a similar tone: candid, constructive talks, with a view toward managing differences and avoiding conflicts. However, since Raimondo's China trip, the dialogues have moved a decisive step forward and focused on substantive, tangible trade issues using a regular dialogue mechanism that involves not just government officials but business leaders. This shows that China and the U.S. have moved to a new phase of substantive trade and technology matters — which helps stabilize an essential ballast stone in their overall bilateral relationship.

This shows that China and the U.S. have moved to a new phase of substantive trade and technology matters — which helps stabilize an essential ballast stone in their overall bilateral relationship.

Free-fall warning

The launch of a substantive dialogue mechanism is not only constructive but urgent. Two-way trade between the world's two largest economies has been in free fall since September 2022, in the aftermath of the sans-China trade policy of the Biden administration. The CHIPS and Science Act prohibits world-leading microchip companies from investing in China for 10 years if they want to qualify for U.S. assistance. The Inflation Reduction Act also bans investors in electric vehicles from using minerals from China. Washington's resilient chip supply chain policy, the Chip 4 alliance and the Indo-Pacific Economic Framework, all exclude China.

In October last year, the U.S. Department of Commerce announced a sweeping ban on China for chips and manufacturing equipment 14 nanometers and higher, and has brought the Netherlands and Japan to an agreement prohibiting the delivery of extreme ultraviolet and deep ultraviolet litho-

graphy machines to China. Compared with Donald Trump's unilateral tariffs on Chinese goods, these Biden policies — the so-called “small yard and high fence” — have hit China-U.S. trade much harder.

The sweeping unilateral tariffs on Chinese goods imposed by Trump in 2018-19 depressed bilateral trade only temporarily in 2019 — off by 14.5 percent. Two-way trade volume picked up in 2020 and continued into 2021, surpassing the pre-tariff highs of 2021 by 19.3 percent. However, the new “high fence” imposed by Biden since late 2021 has had a severe adverse effect that has been felt since Q3 of 2022. It has caused a much sharper drop in bilateral trade, especially in Chinese exports to the U.S., which saw a 16.9 percent drop from September to December and an 18.6 percent drop from January to July 2023. Nonetheless, it seemed to be bottoming out during the August-September period, resulting in a smaller year-on-year drop in the first three quarters.

According to U.S. trade data, China retreated to become America's third-largest trading partner in 2021, outstripped by Canada and Mexico. But it remained the largest source of imports. Last year, China was outstripped by the European Union in that category and retreated to the second-largest import source. During the first half of 2023, China fell to the fourth-largest source of U.S. imports, behind Mexico, Canada and the EU.

The U.S. Bureau of Economic Analysis reported that from January to August this year, U.S. trade with China declined by 20.5 percent to \$369.8 billion, while U.S. trade increased with Mexico (up 2.5 percent), Germany (up 13.4 percent), the Netherlands (up 10.9 percent) and the United Kingdom (up 3.9 percent). The

UK jumped from 10th to become the seventh-largest trading partner of the U.S., while Germany moved up from fifth to fourth place. A clear symptom of a supply chain shift from China to North America and across the Atlantic has cropped up.

This is especially convincing in the high-tech sector, especially in microchips, where Washington's “high fence” has been imposed. According to the BEA, U.S. advanced technology exports worldwide increased by 7.1 percent year-on-year during the January-August period this year, but exports to China fell by 12.7 percent. American exports to the EU increased by an astonishing 30.8 percent, while North America remained essentially stable (off by 1.6 percent). U.S. imports of advanced technology during the same period shed \$1.89 billion worldwide in total from a year ago, but shed \$25.22 billion from China, while increasing by \$15.19 billion from the EU.

Compared with Donald Trump's unilateral tariffs on Chinese goods, these Biden policies — the so-called “small yard and high fence” — have hit China-U.S. trade much harder.

An AmCham member survey in April 2023 showed that 87 percent of the members surveyed felt pessimistic about business in China, primarily because of the tensions in U.S.-China bilateral relations. Some 14 percent had already started shifting their businesses and another 9 percent were planning to shift.

The above-mentioned free fall in China-U.S. bilateral trade has sounded strong warnings to both governments

Two-way Trade, China Vs. U.S. 2018-23 (\$ Billion)

Period	Total	Chinese export	U.S. export
2018	633.52	478.42	155.10
2019	541.39	418.67	122.71
Change	-14.5%	-12.5%	-20.9%
2020	586.72	451.83	134.91
2021	755.65	576.37	179.53
Change 18-21	+19.3%	+20.5%	+15.8%
2022.01-08	514.96	397.15	117.81
Change	+9.5%	+12.2%	+1.3%
2022, 09-12	244.47	184.63	59.84
Change,y-o-y	-14.3%	-16.9%	-5.6%
2022	759.43	581.78	177.64
Change, y-o-y	+0.6%	+1.2%	-1.1%
2023, 01-07	381.51	281.66	99.86
Change, y-o-y	-15.4%	-18.6%	-4.7%
2023,01-09	495.99	372.25	123.73
Change, y-o-y	-14.0%	-16.4%	-6.0%

Source: China Customs, www.customs.gov.cn, and computation based thereon.

U.S. Trade Partners, Jan.-Aug/2023 (\$ billion)

Partner	2022	Rank	2023	Rank	Change
Mexico	519.90	2	532.68	1	2.5%
Canada	537.71	1	517.17	2	-3.8%
China	465.38	3	369.80	3	-20.5%
Germany	139.72	5	158.48	4	13.4%
Japan	113.42	4	108.56	5	-4.3%
South Korea	92.43	6	88.17	6	-4.6%
UK	88.37	10	91.81	7	3.9%
Netherlands	71.23	11	78.99	11	10.9%

Source: ITA, USDOC, www.trade.gov

that immediate measures must be taken to check the trend and make every effort to turn it upward.

Business calls for dialogue

The decline in China-U.S. bilateral trade is only one side of the coin, caused by political factors. The other side, supported by businesses and market forces, keeps trade going and prevents it from falling more.

Ironically, during the first seven months of 2023, total FDI into China fell 4.0 percent year-on-year, while FDI from the U.S. increased by 25.8 percent.

Trump's sweeping tariffs on Chinese goods failed to prevent the goods from entering American markets because the markets need them, and the tariff burden fell on American importers and, ultimately, on American end users and families. The "high fence" policy of the Biden administration has similarly met with strong obstacles in the marketplace and among American businesses. Intel, Qualcomm and Nvidia, through their strong lobbying presence in Washington, have appealed for no further restrictions on chips. Because China accounts for one-third of global chip sales, the high fence blocking China will cost America its world dominance in chip technology.

Pat Gelsinger, CEO of Intel, once said that if sales to China are banned, there would be no need to build chip factories in Ohio. Intel recently announced a major investment project to build a chip in-

novation center in Shenzhen. Tim Cook, CEO of Apple, told Chinese leaders that Apple will remain in China. A Financial Times article by Patrick McGee titled "How Apple Tied Its Fortunes to China" said that Apple has no other choice but to keep most of its manufacturing operations in China. China seems the only solution.

Ironically, during the first seven months of 2023, total FDI into China fell 4.0 percent year-on-year, while FDI from the U.S. increased by 25.8 percent. What's behind this phenomenon? China and U.S. businesses have fit into the whole global supply chain and are closely interconnected and complementary. Any political fence will ultimately accomplish nothing.

Another market fundamental appears in the unsustainable U.S. supply chain shifts over the past year or so. It has considerably enhanced the supply chain within North America and across the Atlantic at the expense of the trans-Pacific area, which is the most important part of the U.S. global supply chain. During the January-August period this year, U.S. trade not only fell sharply with China but also dropped considerably with Taiwan (off 8.6 percent), as well as with Japan (off 3.7 percent), South Korea (off 5.3 percent), India (off 8.0 percent) and Vietnam (off 16.3 percent) largely because China is a key nexus in the trans-Pacific supply chain.

The China-U.S. business complement and global supply chain forces have undoubtedly helped bring the two governments to the table, as indicated by Secretary Raimondo's China trip and the constructive deliverables arising therefrom.



▲ U.S. President Joe Biden speaks virtually during an event in the White House to promote the CHIPS and Science Act. He signed the bill on Aug 9, 2022 to provide \$52.7 billion in subsidies for U.S. semiconductor production and research and to boost efforts to make the United States more competitive with China’s science and technology efforts.

Quick action needed

The joint working groups on business and export controls should get underway as soon as possible. The focus should be concrete troubleshooting, one problem at a time, not general dialogue. The subjects should cover a large part of the current tariffs, export bans on chips and manufacturing equipment, the entity list and the stability of the China-U.S. supply chain.

First, the export ban should be a high priority on the agenda. Secretary Raimondo has said that the export ban is based on national security and is not up for discussion. Nonetheless, the application of national security is also subject to WTO rules. China has already filed an objection to the U.S. export ban on chips through the WTO dispute settlement mechanism. Thus, both sides should discuss the details of the ban, as well

as ways to change it, at least partially. Meanwhile, national security concerns should be discussed and identified case by case to avoid across-the-board application.

Continuous joint efforts are needed to stabilize political relations between the two countries. If Washington continues to see China as its main adversary and largest geopolitical challenge, U.S. national security considerations will continue to be amplified and applied to a wide spectrum of business activities. It is thus recommended that both sides lose no time in increasing direct flights and personnel exchanges — both national and sub-national — to enhance mutual understanding. People-to-people exchanges can help scale down the current tensions and encourage more cooperation.

Second, the joint working groups should deliver more concrete results facilitating

business in the other market. China and the United States should discuss the details of industrial policy, market access and fair competition. China is open to the reasonable demands and complaints of U.S. businesses and to resolving typical cases quickly. Meanwhile, the review process should cover both China and America equally and should be strictly based on WTO rules.

Third, both sides should explore new areas of trade growth and investment cooperation, especially (but not only) in digital technology, artificial intelligence, new energy and commercial services, working out fresh projects as an early harvest. Sector cooperation should be discussed between industry associations on both sides, especially in the semiconductor sector, for a resilient China-U.S. supply chain.

Over the past 40 years or more since diplomatic ties were established in 1979, China and the United States have had numerous dialogues, talks, negotiations and consultations on trade. During that time, we have had any number of difficulties, differences, disputes and arguments. Despite all those, both governments, in general, managed to clinch certain positive results and keep bilateral trade going. It is sincerely hoped that, through the joint efforts of both sides, the trajectory of China-U.S. trade will bottom out by the end of this year or the first half of next and pick up again to hit a new high in 2025. A strong business relationship will again serve as a ballast stone supporting a stable overall China-U.S. relationship and will work to the benefit of our two peoples and the world at large.

If Washington continues to see China as its main adversary and largest geopolitical challenge, U.S. national security considerations will continue to be amplified and applied to a wide spectrum of business activities.

INTERVIEW: Bates Gill

Differences Must Be Better Managed

Bates Gill is Executive Director of Asia Society's Center for China Analysis and Senior Associate Fellow with the Royal United Services Institute (RUSI) in London.

Speaking with James Chau in Brisbane, Australia, Bates Gill shared his thoughts on the complexities between Beijing and Washington — and the differences in mindsets. Both the U.S. and China can improve how they respond to gaps in their relationship, he says.

James Chau

Thanks very much for your time here in Brisbane. Let's talk about your new role as the founding director of the Asia Society Center for China Analysis. What's your mission? And what's the impact you seek to achieve?

Unfortunately, as that relationship deteriorates, particularly in Washington, I think our more nuanced and balanced awareness and insight about China's future is beginning to erode.

Bates Gill

The Center for China Analysis at the Asia Society Policy Institute was just formed about eight or nine months ago. I think we're unique in a number of ways. Our mission is to try to understand China from the inside out. And by that we mean applying our team's Chinese linguistic skill — our experience in networks inside

China — as a way of looking into China and drawing from Chinese sources and in our Chinese relationships a better understanding of the direction that China has taken us, domestic policies or foreign policies, and translating that information back to inform American and other international governments, societies and others about the direction that China is taking. It's becoming harder and harder to get the kind of deeper insight, more nuanced awareness of what's happening in China and why we need to care. And, unfortunately, as that relationship deteriorates, particularly in Washington, I think our more nuanced and balanced awareness and insight about China's future is beginning to erode.

Both in Beijing and in Washington, there's a pervading sense that the other side is the problem for many of the world's ills.



■ Prior to serving Asia Society, Bates Gill was director of the Stockholm International Peace Research Institute (SIPRI), Freeman Chair in China Studies at the Center for Strategic and International Studies (CSIS), and founding director of the Center for Northeast Asian Policy Studies at the Brookings Institution.

James Chau

You predict a persistent phase of tension and distrust in China-Australia relations. Would you use the same words, necessarily, for the China-U.S. relationship?

Guardrails, managed competition — these terms for China translate into making it safer for the United States to be provocative.

Bates Gill

Probably even more so. The strategic mistrust has characterized the U.S.-China relationship for some time. Now, both in Beijing and in Washington, there's a pervading sense that the other side is the problem for many of the world's ills, and it's going to be a lot of hard work to try, at minimum, to put a floor underneath that deterioration and hopefully, with time, find common ground and rebuild some modicum of stability in the relationship.

James Chau

In speaking about the China-U.S. relationship, Kevin Rudd champions a concept

of managing strategic competition, which was also cited by Joseph Nye at the recent Aspen Security Forum. Does it differ from the U.S. approach of constructing guardrails?

Bates Gill

I think they are similar in construct in that it's an effort to try and put some sort of bounds around the most contentious elements of the relationship so that it doesn't spin off into highly dangerous and risky directions. The problem with the approach, as Kevin Rudd has learned, and I think also American interlocutors now trying to work with China, is that the Chinese don't buy it. They are not interested in talking about the relationship as a competition — at least in the way they think the U.S. seeks to define it by saying (this is the Chinese speaking) that somebody must win and someone must lose. Now, I don't think that's what the U.S. understanding of what this competition should really mean. But that's one problem for China. Secondly, guardrails, managed competition — these terms for China translate into making it safer for the United States to be provocative. And that comes out very clearly from the official statements from China. So unfortunately, this construct, while I think it's useful, and it probably does speak to what the two sides ought to be trying to achieve, at the moment is not phrased in quite the right way for it to become a kind of bumper sticker or, or a defining concept for the U.S.-China relationship.

James Chau

What would China get on the Bates Gill scorecard for managing disagreements with America and America's allies?

Bates Gill

I think I probably have to give it a medioc-

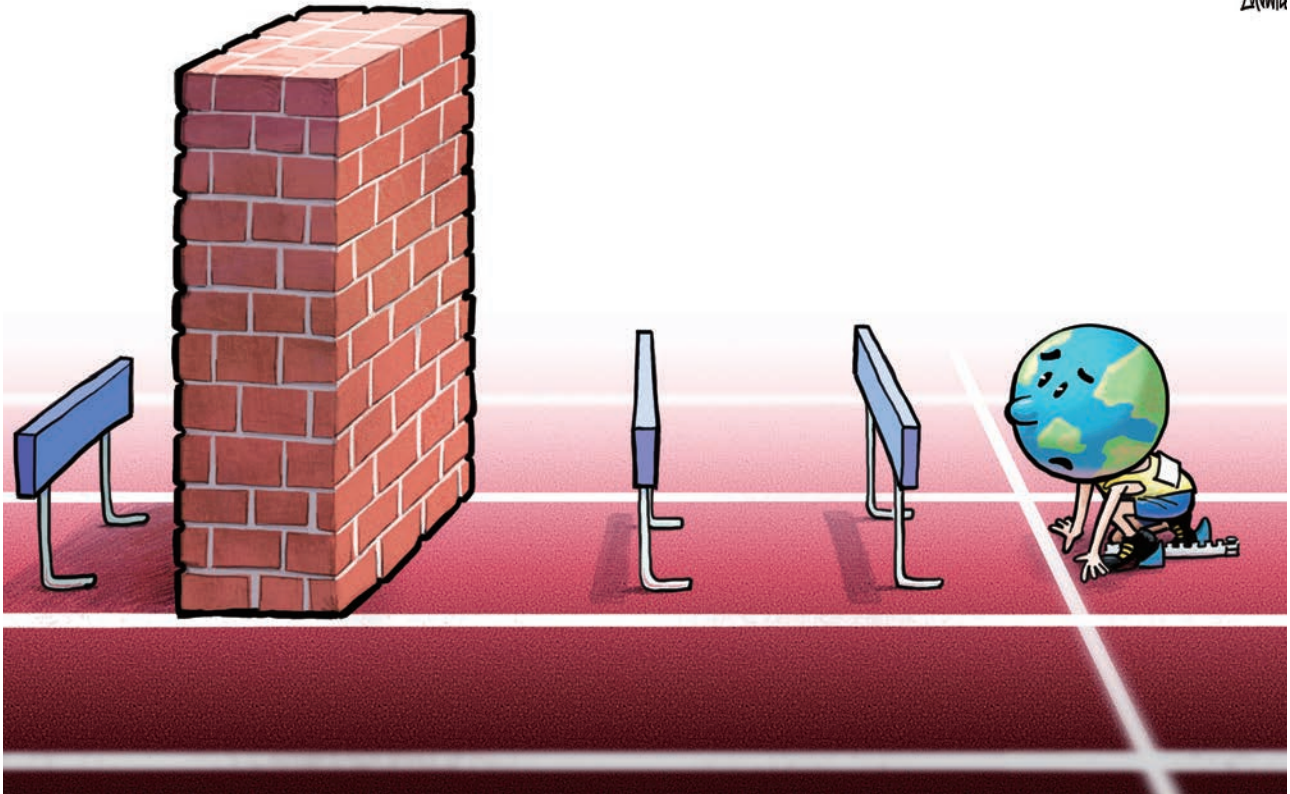
re grade, maybe six out of ten. You know, I think we've seen in the deterioration of the relationship [that] we can point to some ways that the Chinese side has managed this, which probably could have been better. For example, management of so-called wolf warrior diplomacy, the high rhetorical criticism, not just in the United States but sort of the Western system itself, almost becoming an ideological level of criticism coming from Beijing, which of course, does not resonate at all well within Western capitals, let alone in Washington. So there's blame on both sides for the deterioration of this relationship. But surely I think China could probably do a better job. But I'm not sure if it's possible, simply because of the domestic political constraints, which I sense Xi Jinping and other senior leaders in China may be facing, which compel them to take this much harsher line toward the United States.

James Chau

What would you give the United States in terms of its execution of managing the relationship from its own side?

Bates Gill

In a very similar sense to how I just described Beijing, I think the political atmosphere in Washington has deteriorated in a way that makes it very, very difficult for the Biden administration, or others, to seek something of a more constructive relationship with China. I think the Biden administration is trying to put out a hand they've worked hard to try and arrange for a number of senior level visits to Beijing. And of course, I think the Biden administration is very much looking forward to the possibility of a senior leadership meeting with Xi Jinping when he comes to the APEC meeting in the United States later this year. But all that said, yes, the United States probably has not done very well,



probably six or seven on the Bates Gill scale. And so there's a lot of improvement for both capitals to be working on in this relationship, and at least doing more to stabilize it.

There's a lot of improvement for both capitals to be working on in this relationship, and at least doing more to stabilize it.

James Chau

Let's talk about China's growing tech capabilities and the concern internationally around those capabilities and the potential for military applications. Do you necessarily share those concerns?

Bates Gill

Well, I think the biggest concern that I would have, as a longtime observer of Chinese military affairs, is the effort underway in China today to move toward what China would call intelligent warfare — that is to say, an effort to try and bring to bear artificial intelligence and other advanced technologies on the modernization of the People's Liberation Army. So there are no doubt efforts underway in that direction, in China and elsewhere around the world and in the United States as well. And it's going to potentially transform the People's Liberation Army and its military capabilities. So I think it is fair to have concerns about how and whether China might be able to harness these new technologies in ways that would make it a more formidable military adversary for the United States and others, especially in Asia. Now, all that said,

It is going to be in people-to-people ties, where we can hope to have the greatest sort of progress in understanding between these two great countries.

obviously, AI is not only a military technology, it's a technology that can have enormous benefit for the global society — in medicine, for example, just to name one important area. And so it would make sense first of all for the two sides to at least come to some understanding that they share a concern about potentially dangerous uses of artificial intelligence, and secondly to see whether there might be less sensitive areas of societal benefit where smart and well-meaning people from the United States and China can work together for the benefit of the global community. That's going to be difficult, but I think it's probably worth a conversation or two to see if that can happen.

James Chau

And where is that opportunity for the two peoples, young people, older people and in between, to partner to work together, to converge interests, for the benefit of everyone?

Bates Gill

Well, I think given the state of the official relationship between the United States and China right now, it is going to be in people-to-people ties, where we can hope to have the greatest sort of progress in understanding between these two great countries. The number of American students working in China has plummeted from its high in 2019 to just the handful of students there today. So that's just one example of where a great deal more effort can be made, to try and improve and expand people-to-people ties. Obviously, being here at the International AIDS Society meeting in Brisbane is just is one great example of people of goodwill. Scientists have a lot to learn from one another, not just pushing back the scourge of this particular affliction on humankind — HIV AIDS — but many, many others as well. So I'm encouraged to see that kind of cooperation going on right here.

INTERVIEW: Keyu Jin

Is China's Playbook Sustainable?

■ Dr. Keyu Jin is Associate Professor of Economics at the London School of Economics and Political Science.



Dr. Keyu Jin is a leading academic expert on the economy of China and its international ramifications, known as a bridge between the East and West for her perspective on Chinese geopolitics.

In this interview with James Chau, Keyu Jin states that China's economic progress has been remarkable, but the West often misunderstands its nuances. The local governments have been given a great deal of autonomy in economic decision-making, which has led to a competitive environment and a vibrant entrepreneurial ecosystem. Dr. Jin unpacks how political centralization combined with economic decentralization has fueled China's economic growth.

Dr. Jin also argues that the United States and China are politically opposed, but economically competitive and globally collaborative. This new era of competitive collaboration can be a sustainable model for the future, but it requires both countries to focus on specific issues, embrace opportunities for foreign companies, and avoid a narrow national security lens.

James Chau

I would like to begin by giving our audience the opportunity to meet you and understand your story, because you were born in China in the 80s and went to America as a student in the 90s. Today, you teach at the London School of Economics while maintaining those strong emotional links with China, where of course your story began. How has this combination of cultures shaped the economic theories that you champion? And of course, how does it inform your life?

Keyu Jin

Indeed, my bicultural, even, multicultural background (now that I work in Europe) have informed my views to the degree that culture and history do matter — even when we're talking about economics and economic models, and how economies develop and transform themselves. I think the cultural element and understandings are really different. I have to say that I'm an admirer of both the Chinese and American education system, culture, innovative power, etc. I was mesmerized by being in the U.S., and even though I still have very strong links to China, I think seeing the advantages — or, really, the differences — and how people see things from both sides of the Pacific does help me in understanding potentially why there's so much misunderstanding.

James Chau

You often speak of being mesmerized by America when you first arrived there as a teenage high school exchange student. What is it that continues to fascinate you about the country, a culture of people that are so fascinating in themselves.

Keyu Jin

U.S. technological power is a reflection of this very free and open society, the audacity to dream and to go beyond and to think out of the box. And I don't think there's really quite anyplace like it. The mix of just pure talent and people who are so ambitious and driven to do something great for society, especially, is something that really inspires me.

In China, we have the aspirations to be mission-oriented among the young generation — the new generation — as well. They are also very creative. They're focused on solving society's problems. So I see that in the new generation. Social consciousness is something that has converged between the U.S. and China and elsewhere in the world. In past generations, the Chinese were hardworking — they were in a survival mode. And I have a lot of respect for that, the things they have gone through, and that desire to make a better living for your family and for your children. And doing things for them is something that is really profoundly moving.

James Chau

I'm just going to touch on the very first line in your book, where you write that the book is about reading China in the original — coming to understand its people, economy and government in such a way that the truth is not lost in translation, as is far too often the case. As a Chinese person born and raised in China, what is China "in the original" for you?

Keyu Jin

It's a perspective that incorporates the cultural and historical element, the understanding of the Chinese people, their

relationship with authority, their relationship with each other. And understanding is really seeing the data and evidence that reveals a truth. That truth is not just some impressive numbers, but behind that is a whole national psyche, shaped by historical and cultural experiences. Without understanding that, first of all, we don't understand how China could have risen, but neither where China is going and Chinese aspirations, both for the people and the government, and how they're going to go about doing things. Instead, if we take a different lens to look at China, we get China more wrong than we get it right. And in this day and age, when mutual understanding is becoming increasingly important, it is especially crucial to at least see the other perspective. The same goes for China. The Chinese need to see the American perspective and also understand the impact and the consequences of their global actions, which are sometimes not heated enough.

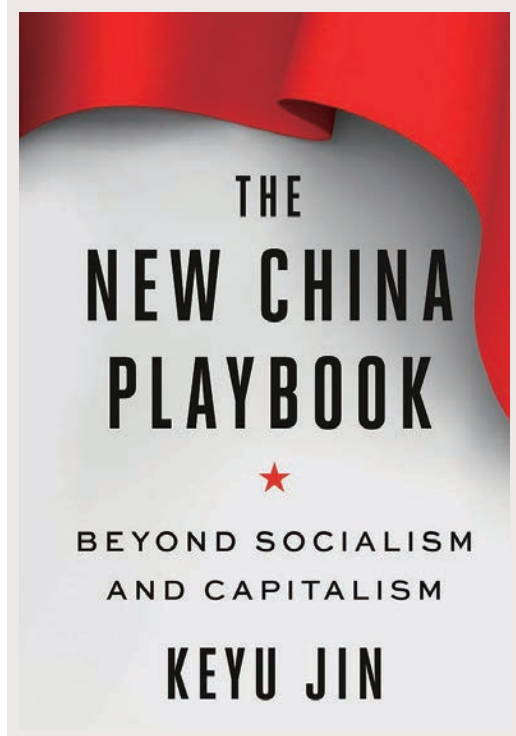
That truth is not just some impressive numbers, but behind that is a whole national psyche, shaped by historical and cultural experiences.

James Chau

What are the primary drivers behind China's rapid shift from a scarcity economy to one of abundance, especially in the realm of technology?

Keyu Jin

Market oriented reforms, or opening-up — where you moved 400 million people from the state sector to the private sector, from agriculture to industry, and gi-



▲ In *The New China Playbook*, Keyu Jin burrows deep into the mechanisms of China's unique system.

ving people incentives, equipping them with modern tools and capital, is the primary reason that China has risen so quickly. But going forward, when China wants to pursue an innovation-led economic growth model, because the capital investment model no longer works very well, requires a different set of improved institutions. It requires a good financial system, requires the ability for entrepreneurs to be able to access capital for risky ventures. And for creativity to blossom, it really needs the markets to play a much larger role than the state. Whereas in the past era of industrialization and smokestack industries, the state played a very prominent role in jump-starting that development in state coordination around the country and the mobilization of national resources. Now it's time for the market to come to the fore.



- ▲ China Speech Valley & Quantum Center Hefei, in Hefei city of East China's Anhui province. With global quantum avenues, Hefei is a source of 12.1 percent of China's quantum patents, only second to Beijing. This kind of decentralized model is actually how China reformed.



- ▲ The Nio advanced manufacturing plant in Hefei. China Speech Valley is a major hub for China's AI industry, spurring the rise of electric vehicle companies like Nio.

James Chau

You have great admiration for America and the ability of Americans to think out of the box. But what factors in China's model of innovation is different from that of the U.S.? And how has this influenced China's global economic standing today, for example?

Keyu Jin

People don't really understand how the economic model works in China. They think that it's a very centralized system with a dominant state. But it's really political centralization and economic decentralization, very horizontal, a system on the ground that is galvanizing creativity from the bottom up. Yes there are top-down decisions made and macro strategies and objectives determined at the top central level. But how China has spurred innovation is very much a grounded story.

If you look at Chinese unicorns, which are second only to the U.S., they're scattered all around China, even in second-tier cities like Wuhan, Chengdu or Hefei — many cities that most of us have never heard of. And how that has happened is the important role played by the local officials. In my book, I call them the "mayor economy," as opposed to the market economy. But what it really represents is that there's a close collaboration often with private entrepreneurs — promising private entrepreneurs and local officials — where local officials enable private entrepreneurs, whether it's helping them coordinate state financing or helping them build a supply chain, attract talent, all these really essential elements of success, especially for what is still a developing country where institutions are not completely mature.

These are critical helps, and the promising companies grow very fast. And of course, local officials are also soliciting help from venture capitalists and asset managers and fund managers, investors and so forth to help them select the most promising companies. It's not just one or two, it's literally thousands of them.

So we have seen the Hefei government build global quantum avenues and spur the rise of electric vehicle companies like Nio, but this is replicated all around China. And what people don't see is that this kind of decentralized model is actually how China reformed. The local mayor started reforms by breaking rules. So they were extremely entrepreneurial. And if you can imagine in the U.S. the city mayor goes and does all these very entrepreneurial activities. And in three years' time, they're rotated to another city and replicate the same model. This is how the competition keeps local officials in check. And this is how China has done creativity. But that's the deeper model. But the proximate factors are money, markets and talent.

But how China has spurred innovation is very much a grounded story.

James Chau

I'm going to ask you to cast an eye to the future and give us your take on the sustainability of China's current growth but also its innovation model, while thinking about the great geopolitical tensions that billions of us are experiencing.

Keyu Jin

Sustainability is a very broad subject and has different understandings from different parts of the world, I think in China environment is very important. But sustainability of the developmental model is also very critical. How you go from an investment-driven model to a consumption and innovation driven model is the current challenge. It's not going to be easy. Achieving the \$10,000 per capita income for the first time is a grand achievement. But in some ways, it might be easier than going from \$10,000 to \$30,000 or \$50,000 income as a rich country. [If you consider] 1.4 billion people in the country reaching that level, that's an enormous achievement.

The local mayor started reforms by breaking rules. So they were extremely entrepreneurial.

Whether China can do that in the next so many years, maybe decades, is something on which the jury is still out, because becoming a rich nation with a sustainable model with constant productivity growth is very, very difficult, very challenging. We've seen many developing countries get stuck in the middle-income trap. But I'm still optimistic that China will one day get there. Studies have shown that physical infrastructure and human capital are some of the great bottlenecks.

The Chinese system, no matter what you think about it, is capable of change and adaptation mostly for the better. There have been mistakes made. There

have been erratic policies, but it's going on an upward trend, and when the right policies are implemented, you can make the 600 million people that still live under 2,000 RMB per month, reach real middle income and potentially even have a much more prosperous standard of living.

But these are very much in question. And that leads to the geopolitical question, which also shapes the economic environment, whether it's Europe, China or the U.S. The real fear right now is a profound not breaking but a weakening of the global supply chain. We've already seen the disruptions to global supply chains during the pandemic and how much that has cast a shadow on the world economy. There's greater uncertainty caused by geopolitical factors. And don't underestimate how much that affects a firm's costs, a firm's profitability, a firm's level decisions, which will be reflected at the macro level in a very major way.

And if you think about China, which represents so much of global trade, it's not really China just exporting furniture and toys. That was many, many decades ago, but exporting the parts and components necessary for global trade to continue to function. And imagine the disruption of that in any of these major centers. That's an economic catastrophe. And so I think these things will need countries to figure out in what areas they can healthily compete and collaborate and ensure the smooth functioning of a global supply chain that has served everybody, especially poor households.

James Chau

The New China Playbook has obviously

captured the imagination of many. Tony Blair, the former British Prime Minister says the big geopolitical change of the 21st century will be the end of exclusive Western political and economic dominance. He calls you a brilliant thinker. If you can apply your thinking to the China-U.S. contest and the future of economic and technological competition and collaboration, what's your diagnosis?

The Chinese system, no matter what you think about it, is capable of change and adaptation mostly for the better.

Keyu Jin

It might very well be the case that between the U.S. and China, [which are] politically opposed and economically competitive, [there could be collaboration] on global public benefits. And that might be a sustainable model in the future. But the dialogue needs to be kept open, because communication is key, as we know, in any kind of relationship, keeping on talking, communicating and seeing each other's perspective is, if anything, the foundation of having a stable and potentially better relationship going forward.

For the U.S., I think it's important to focus on specific issues when it comes to China, and where China's economic methods could be improved, to push back where there is a perceived unfairness. On the Chinese side, I think it's important to keep open the opportunities and really embrace opportunities for foreign companies, foreign financial institutions, to come in to China — to hopefully make lots of money in China, join the

domestic competition, make domestic companies stronger, and vice versa. I've heard foreign firms in China tell me that they need to be in China because it is the ultimate fitness ground that keeps them strong and ensures that they have very fast product iteration, etc., because domestic competition is so ferocious in China. And I think that's one of the leading reasons that China's innovation has really taken off.

Both countries need to understand that there are transnational issues (and indeed the most important issues are transnational, added to climate and pandemic controls, and anti-terrorism). There is the threat of artificial intelligence and transnational regulation of these very important and critical issues. And I just can't see how that can possibly work without the collaboration of the U.S., Europe and China, especially. I cannot see how it can be done without one of these major powers.

The real fear right now is a profound not breaking but a weakening of the global supply chain.

Seeing each other's perspective is also important, because to understand that China's ambition is not to displace the U.S. in terms of power and responsibilities in the world. First of all, it's to the Chinese neither feasible nor desirable. And maybe that can suspend some suspensions to a certain degree, and understand that competition is good for everybody. In fact, we need more international competition. I would like to remind people in the U.S. that it was Japan's rise in semiconductors in the 1980s that spur-

red the U.S. to undertake a number of policy changes and innovate innovation systems that led to a huge technological boom in the 1990s.

And in fact, the U.S. regained dominance in the microchip industry thanks to Japan, and as a result, everybody, all consumers have better and cheaper products. And you continue to see that in the renewable sector, another sector that without China's very, very important role, I cannot see the kind of brain transition that Europe and U.S. want to embark on being realized very quickly. In the renewable sector, China is leading in many fronts. And the cheaper and better technologies [that are] more accessible to developing countries will come from China. The most convincing stories happen on the ground. Chinese battery makers are in American EV cars, and they're building factories in Germany. And EV buses will have to work with Chinese companies, etc, etc. And that's the kind of competitive collaboration that spurs toward the technology frontier and makes the world better off.

So that kind of attitude embraces a new era of competitive collaboration in a positive way, rather than only looking through a narrow national security lens, which can lead to a vicious circle that could be potentially calamitous and is something to be totally avoided. "Small yard, high fence" might work, but it needs to be contained and not corrode into the broader economic segments.

James Chau

What do you anticipate for the future in terms of emerging technologies, such as artificial intelligence, quantum computing and biotech, and also the potential

to shape economies inclusively and sustainably?

Keyu Jin

When you talk about the future technologies, one thing I really worry about is the new generation in China and the U.S. and elsewhere, with their reduced expectations, much reduced economic opportunities and potentially a growing angst and anxiety. What are we leaving for our children and grandchildren in terms of opportunities in a better environment, and not figuring out the consequences of the new technologies and how to oversee properly — transnationally — these new emerging technologies. Yes, there is a race between the U.S. and China. I think in many ways, in technologies that require the greatest amount of funding and coordination, there is real competition between these two large economies. They have substantial state financing.

Ironically, if I may say, so, the speech made by [U.S. National Security Adviser] Jake Sullivan recently about renewing U.S. economic leadership was all about how the state has to play a major role. And so the basic industrial policy pretty much sounds like China to me. But in some ways, maybe it's necessary to make these breakthroughs. And so I don't see the threads of the technology being able to be reduced without the constant collaboration and cooperation and dialogue between countries like the U.S. and China.



Challenging the “AI Race” Narrative

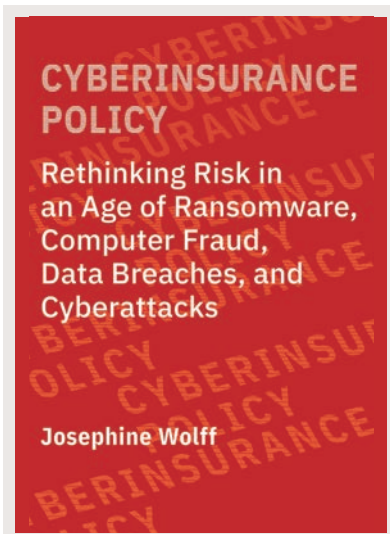
■ Josephine Wolff

Instead of fixating on whether China or the United States is “winning” the AI race, it makes more sense to consider what threats these technologies might present and how to best design AI securely.



■ Josephine Wolff is Associate Professor of Cybersecurity Policy at the Fletcher School of Law and Diplomacy at Tufts University.

The internet is littered with ruminations on whether the United States is ahead of, or behind, China in developing artificial intelligence, whether the leading country will be able to maintain its dominance and which will ultimately win the race or achieve AI superiority. It's a strange sort of debate for several reasons. It seems to assume that one country will necessarily be the best at all artificial intelligence technologies in every domain that matters, and it relies on the idea that we have some way of objectively assessing the progress each country has made in developing AI and comparing them to each other in some meaningful fashion.



▲ Josephine Wolff's recent work

The discussion of whether the United States or China is leading in artificial intelligence is reminiscent, in some ways, of the debates over which countries have the most sophisticated cyber capabilities. These conversations, largely based on conjecture and references to the past, tend to offer some relative ranking of the capabilities of the United States, China and Russia — rankings that are constantly shifting as, for instance, Russia fails to successfully execute any particularly impressive cyberattacks in Ukraine. But they rely, fundamentally and necessarily, on guesswork and references to what these countries have done in the past rather than what capabilities they have yet to exercise.

Similarly, when it comes to assessing which countries are leading on artificial intelligence, we're generally

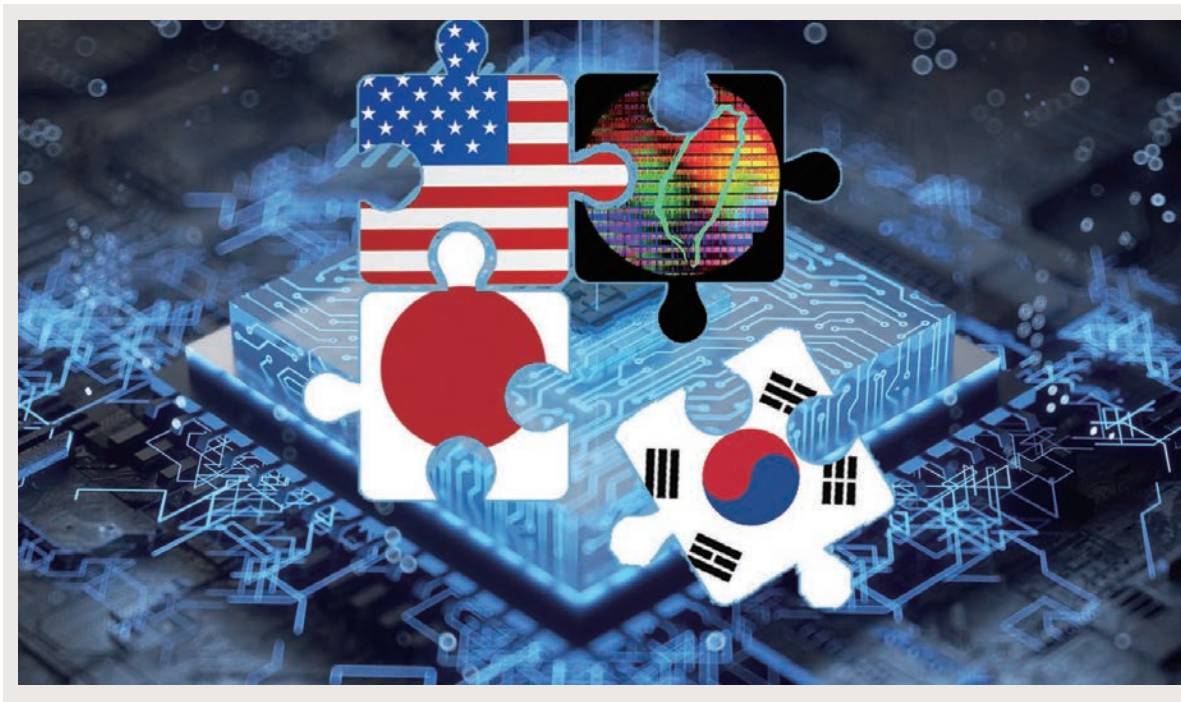
limited to looking at what technologies they have released publicly and whether competitors in other countries have done anything comparable. That's a reasonable approach for many kinds of civilian artificial intelligence, including chatbots like ChatGPT, where there's no clear incentive for countries to keep their technological capabilities under wraps. But it makes decidedly less sense for trying to assess how sophisticated a country's AI capabilities are when it comes to military or intelligence matters. Nor does it make sense, in many cases, to use civilian AI technologies as a proxy for those military systems. While the foundational machine learning models for speech, image processing and natural language may be common to many applications, training an AI system to be used for a specific purpose requires considerable domain expertise and fine-tuning.

Additionally, the stakeholders involved in developing civilian AI technologies are sometimes quite different from those involved in creating military systems. Just because OpenAI, a U.S.-based company, has developed a sophisticated natural language model does not mean that the U.S. government's AI capabilities are equally impressive.

The stakeholders involved in developing civilian AI technologies are sometimes quite different from those involved in creating military systems.



▲ A visitor walks past an outdoor installation at the China International Big Data Industry Expo 2021 in Guiyang of Guizhou province. The “Big Data Expo,” the world’s first exposition on the theme of big data, has become an international event for exploring new digital mechanisms for global cooperation.



- ▲ The U.S. built a “Chip 4 Alliance” with Japan, the Republic of Korea and the Chinese island of Taiwan. Currently the Chinese mainland is reported to lead the global chip market with a 24% share, followed by Taiwan (21%), the ROK (19%) and Japan (13%). Only 10% of the chips are made in the U.S.

The challenges of figuring out what different governments are capable of doing with AI isn't the only reason it's often nonsensical to talk about who is winning the AI race. There's also the problem that we don't really know what it means for a country to “win.” That terminology is often used to imply that one country's technology developers will dominate the market and provide services to clients and customers around the world, while the other country's developers will languish because their machine learning capabilities are so clearly inferior that no one will want to buy them. There's also, at times, a national security dimension to these conversations: One country will have a more sophisticated intelligence apparatus, the most adept and agile military technology and the ability to maneuver and manipulate its enemies' technologies against them.

There's also the problem that we don't really know what it means for a country to “win.”

These framings seem to take for granted that one country will develop significantly more superior artificial intelligence than the other in such a way that it will be difficult — if not impossible — for the other to ever catch up. And yet, we have seen before from tech companies in the United States and China that it is entirely possible for companies in both countries to develop the same technologies in parallel or in close succession. These technologies include things like online search engines, cloud computing services and smartphones, and while U.S. companies and regulators often accuse China of conducting cyberespionage

campaigns to aid their ability to compete in many of these sectors, there is no reason to doubt that similar espionage operations could not also contribute to the countries' abilities to compete with each other in artificial intelligence.

Both the United States and China will develop sophisticated machine learning algorithms to generate natural language, or perform facial recognition, or navigate autonomous vehicles, or any one of hundreds of other applications of artificial intelligence. We know this in part because both countries have already done so in several application areas, such as facial recognition, self-driving cars and chat-bots. Because we don't yet have any widely agreed-upon standards for what makes artificial intelligence technologies accurate or successful, it's hard to directly compare these different algorithms to each other and determine which country has the best one, but it's not hard to realize that both countries' companies are constantly observing and learning from each other to improve their own technologies. That trend will likely continue until they have roughly comparable technical capabilities.

So, rather than opining on whether the U.S. or China is winning at AI, it may make more sense to more seriously consider what threats these technologies will present and how we can best protect ourselves from those risks besides trying to stymie China's technological development and progress. No security strategy that relies on "winning the AI race" is likely to be very successful for very long. Instead, we need to tackle the hard problems of what it means to protect complicated algorithms from interference and manipulation and accept the fact that everyone will be using them at some point in the not-too-distant future. The only way to win is to figure out how to design them securely.

It may make more sense to more seriously consider what threats these technologies will present and how we can best protect ourselves from those risks besides trying to stymie China's technological development and progress.

Solution Starts With People

■ Jia Qingguo

Resuming people-to-people exchanges is the most important first step in healing relations between China and the United States. Both sides must resist domestic political pressure and avoid provocation. Blacklists need to be scrapped.





People-to-people exchanges between China and the United States have shown some disturbing characteristics over the past few years, especially since the outbreak of COVID-19.

One is the conspicuous drop in the number of visits between the two countries. In 2022 around 370,000 Chinese citizens visited the U.S., a considerable plunge from the 2.83 million of 2019. The Chinese government has not published the number of visitors from the U.S., yet a dramatic decrease is a fact in light of the general decline in visits. Pandemic-related restrictions in China were lifted at the end of 2022 and visits to both China and the U.S. have increased, the number remains negligible.

Second, there has been a clear drop in the number of exchange students. According to independent data, 372,532 Chinese students studied in the United States in the 2019-20 academic year. The number dropped to 290,086 the following year. There were 11,639 American students studying in China during the 2018-19 academic year, but the number dwindled to just 382 in the 2020-21 year. According to U.S. Ambassador to China Nicholas Burns, the number decreased by a few more — to 350 — for 2022-23.

Third, direct flights between the two countries have fallen dramatically compared with pre-COVID years. The U.S. Department of Transportation recently agreed to increase U.S.-bound Chinese flights to 24 per week by the end of October. Under recipro-



cal arrangements, the total number of direct flights between the countries would increase to 48 per week. Although this is a significant increase, it lags far behind the pre-pandemic level of around 300 weekly flights between the two countries (early 2020).

Fourth, there has been a conspicuous increase in the two peoples' negative feelings toward the other country. According to a December 2021 survey — “The World in Chinese Eyes” — by the Global Times Research Center, more than half the Chinese respondents disliked the Biden administration (55.8 percent), as well as some members of Congress — Republi-

■ Chinese students studying in the U.S.

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■ U.S. students studying in China

11,639 in 2018-19

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■ Chinese citizens visited the U.S.

2,830,000 in 2019

370,000 in 2022

■ Direct flights between the U.S. and China

300

weekly before early 2020

48

weekly by October 2023



▲ Columbia University commencement 2019.

cans (53.3 percent) and Democrats (50.7 percent). Meanwhile, American perceptions of China have also grown steadily negative over the past few years. According to a March 2023 Gallup poll, only 15 percent of American respondents had friendly feelings about China, a historical low.

There has been a conspicuous increase in the two peoples' negative feelings toward the other country.

Fifth, there is a serious lack of motivation to restore exchanges. Although there have been people on both sides calling for resuming non-governmental exchanges as soon as possible, such voices are weak. The willingness to visit or study in each other's country has been dwindling on both sides.



The explosive post-COVID rebound of people-to-people exchanges between the two countries that some had anticipated has not materialized, even with the lifting of travel restrictions at the end of last year. The truth is, judging from the current pattern, people-to-people exchanges between the two countries are unlikely to return to pre-COVID levels in the foreseeable future.

How to explain all this? Looking back, the most direct cause appears to be the pandemic, which broke out in early 2020. Different quarantine measures in the two countries led directly to a sharp drop in two-way non-governmental exchanges, and the dispute over the origin of the pandemic and how to address it further increased distrust between the two countries. But this factor can't fully explain what happened with the exchange situation. First, it can't explain why similar problems

did not emerge between other countries. Second, it can't explain why the pandemic was a serious challenge to both countries' national security or why, instead of cooperation, they engaged in confrontation. Third, it can't explain why there has not been a strong comeback in two-way people-to-people exchanges after restrictions were removed.

The truth is, judging from the current pattern, people-to-people exchanges between the two countries are unlikely to return to pre-COVID levels in the foreseeable future.

Obviously there have been factors beyond the pandemic at work. A careful analysis of the matter indicates that the pre-pandemic bilateral relationship, domestic politics in both countries and the two countries' approaches to some issues have all to some extent affected people-to-people exchanges.

Before the COVID outbreak, there had already been significant trouble in bilateral relations. Worries about China's rise, disappointment that China had not developed in the way the U.S. had expected and the Trump administration's extreme pressure on tariffs and trade rapidly led things downhill. This is the most important reason the two countries couldn't collaborate on COVID-19.

In addition, domestic politics in both countries have sustained and enhanced conflict and confrontation. By the time Biden was elected, getting tough on China had become the Washington consensus, and the Democratic Party had only a weak advantage in Congress. These two factors combined determined that Biden had to follow a tough China policy if he wanted

to accomplish anything at home.

But the administration's tough China policy in turn led many people in China to conclude that the U.S. not only wants our money but our life. They feel China must struggle and has no choice. Against such backdrop, the anti-China forces in the U.S. and anti-U.S. forces in China have grown increasingly active, pushing the two countries toward confrontation time and again.

Last of all, the two governments' actions on some issues have also tended to suppress non-governmental exchanges. First came the visa issue, in which citizens of both countries had difficulty getting them. There were long waiting times, much uncertainty and high costs. Second, flight issues were not resolved in negotiations, partly because of the Ukraine-Russia war. There was an impasse. Because of lack of direct flights, expensive tickets, and long travel times many people chose to postpone, or even cancel, their travel plans. Third is security. In the past, both sides had passed laws and taken steps against each other — for instance, blacklisting each other, finding fault with visitors at border crossings and unwarranted checks of some people's computers and cell phones. Such practices, which were hyped up by media reports and social media posts, have injected fear into many people's minds and dampened their enthusiasm for visits.

Looking ahead, if this sort of momentum continues, non-governmental exchanges will inevitably decrease, and so will mutual understanding and trust. Obviously this runs against both countries' interests. President Xi Jinping once said that good China-U.S. relations benefit not only the two countries but also the world at large. "There are a thousand reasons to make China-U.S. relations work, and none to break them," he said.

An important start for a restored China-U.S. relationship is people-to-people exchanges. Good state-to-state relations hinge on friendly feelings between people. With more exchanges, there will be more mutual understanding, less imagined hostility and greater hope of resolving and managing conflicts and promoting cooperation on matters of common interest.

Rebuilding non-governmental exchanges between China and the U.S. will require both sides to change their ways of thinking, resist domestic political pressure and make greater efforts to do the right things.

Rebuilding non-governmental exchanges between China and the U.S. will require both sides to change their ways of thinking, resist domestic political pressure and make greater efforts to do the right things. First, both sides need to guide the public to support people-to-people exchanges and tamp down contrary voices. Second, both sides should take initiative to facilitate exchanges. For instance, they should discuss travel procedures and find ways to lower the costs and reduce wasted time. Finally, both sides should find ways to mitigate the other side's concerns about personnel security, including providing a better explanation of related laws and regulations passed recently. This should be followed by the cancellation, or significant reduction, of blacklists.

Through joint efforts, people-to-people exchanges can return to a normal state and become an important driving force in stabilizing and developing healthy bilateral relations once more.



“The Fulbright Program aims to bring a little more knowledge, a little more reason, and a little more compassion into world affairs, and thereby to increase the chance that nations will learn at last to live in peace and friendship.”

—J. William Fulbright

INTERVIEW: Keisha Brown

Bring Diverse Voices to the China Space

In this interview with KJ Kerr of China-US Focus, Dr. Keisha Brown, made specific suggestions about how to bring diverse voices to the China space. She is an advocate for Fulbright programs returning to China and encouraging students to take the less-traveled path, such as going into rural areas to diversify the American perspective. Her powerful personal narrative is one of life enrichment that can be replicated by new generations. This interview has been lightly edited for clarity.

KJ Kerr

As tensions between the U.S. and China have continued to increase, how can we motivate, support and prepare future leaders to rethink and possibly even recalibrate the competition/cooperation scale? And how can we equip them against the negative noise surrounding U.S.-China relations?

Keisha Brown

As we think about future leaders and how to prepare them for engaging in the U.S.-China space, I think one question to think about is how we talk about China now and how is that impacting students who might be interested in the China space? So, thinking about students who may have taken Chinese or may be thinking about it ... in many cases, the current political narrative is vilifying more than amplifying the cooperation aspect of the U.S.-China relationship. So what are we doing to encourage students to think about China as a cooperative partner moving forward?

In terms of equipping students, it's difficult to think about. One problem with encouraging Chinese language education is that opportunities have dropped off in recent years. How do we continue to find resources and funding to encourage education in Chinese language skills? And how do we create opportunities for students to engage with China in different ways? Whether it's through virtual study abroad or immersion programs that have popped up or traditional student exchange programs, it's important to find ways to help students understand the U.S.-China relationship beyond one-dimensional skills. Also, building and supporting educational courses and finding ways to connect with and support programs that already exist.



■ Keisha Brown is an associate professor of history at Tennessee State University in the department of history, political science, geography and Africana Studies. She is also the co-founder of the Black China Caucus, a nonprofit devoted to amplifying Black voices in the China space.

KJ Kerr

What are some solutions to the problem of finding funding that's lacking and encouraging universities to offer the courses you suggest?

Keisha Brown

One thing I always advocate is bringing the Fulbright back to China. Second, we need to encourage collaboration between different universities — those that have existing programs and those that have students who have an interest but might not have the resources on their campus. We can also think about resources at the nonprofit level. How can nonprofits and other non-educational but also very important institutions work with educa-

tional sites and work with the government to find ways to be the connective tissue to create bridges and programs between different groups organizations, so we find ways to encourage students and continue to build the pipeline? In thinking about the China experts of the next generation, we [don't want to be] concerned that they are not there, or that they have a one-sided perspective that's not multifaceted. [The latter] is needed for the U.S.-China relationship.

America is a diverse place, and when delegations go to China, or they're working with China, that delegation should reflect what America actually looks like. The table should be diverse.

KJ Kerr

What does this look like from an educational and DEI perspective? What are some ways that we can increase diversity within the China policy space?

Keisha Brown

In terms of thinking about the future of U.S.-China relations and education, and also from a diversity, equity, and inclusion perspective, thinking about diversity is something that's very personal to me, which is why we created the Black China Caucus in 2020. First comes building community and showing the need for diversity — diverse perspectives, diverse experiences. It's people's experiences with China, their background with China, how those diverse perspectives can lead to a more nuanced understanding of the way in which the Chinese government and people are engaging in the U.S.-relationship.

I'm also thinking about the value of inclusion. Inclusion of non-traditional voices that

are involved, or non-traditional perspectives in terms of the U.S.-China relationship. So thinking through how we can expand the pipeline, where it's not the same programs or funding going to the same institutions but expanding that to create different opportunities for students or for those who work in the China space — for advancement, for mentorship, for engagement. America is a diverse place, and when delegations go to China, or they're working with China, that delegation should reflect what America actually looks like. The table should be diverse.

And when we think about people who are speaking about China, who are the China hands or the China experts? [We should find] individuals who are experts in different spaces and incorporate them within the talks, on the panels, on the boards, in interviews. That way, people see a diverse perspective of voices, backgrounds and experiences when talking about China. Representation matters. And that will really increase diversity in the space, and in many cases move the relationship forward.

KJ Kerr

How does diversity within the U.S.-China policy space contribute to a more comprehensive and nuanced understanding of the bilateral relationship?

Keisha Brown

I think diversity in the U.S.-China space does a lot of positive things. One, it allows for a multitude of perspectives to engage on pressing questions, to understand what is happening in China but also what's happening in the U.S. We need to understand that each country and its policymaking apparatus is not a monolith. There is diversity within these countries. How do we engage in new solutions, so we're not coming back to the same solutions we've done before that have not proven always as fruitful as possible?



▲ The Fulbright Program, the flagship international academic exchange program, is sponsored by the U.S. government in partnership with more than 160 countries worldwide.

400,000+

Fulbrighters have participated in the Fulbright Program coming from and going to more than 160 countries since its inception in 1946.

62 *Fulbrighters from 15 countries have been awarded the Nobel Prize*

89 *Fulbrighters have received Pulitzer Prizes*

41 *Fulbrighters have served as heads of state or government*

80 *Fulbrighters are MacArthur Foundation Fellows*

One thing I've noticed is engaging more with smaller places. Instead of going to the large coasts, let's encourage engagement with the Midwest, or the Southeast — spaces where there is a huge trend of contention and interest but where those interests are not always talked about.

Thinking about how we engage with traditional study abroad programs, how can we diversify that so when Chinese students come to the U.S. they're not going to the same institutions? Let's encourage them to go to other schools that are just as capable but not on the radar of Chinese students and Chinese parents. Thinking about the U.S. side, let's encourage students to go beyond the Beijings and Shanghais. But let's also encourage students to travel, to go to other places, to go to rural areas, to go to smaller towns, to meet people and put your skills to use.

So I think diversity allows for us to have deeper understanding, and allows us to have a more so-

lution-oriented perspective, versus one of dominance or the kind of cooperation/competition in which competition dominates cooperation.

KJ Kerr

How can the inclusion of diverse voices and backgrounds within the U.S.-China policy space lead to even more effective strategies for addressing many global challenges, such as climate change or pandemics? And then how does that impact issues related to economic competition or technological innovation?

Keisha Brown

Diverse voices and backgrounds in the U.S.-China space can also help address larger global issues and challenges. It allows for more solution-oriented ideas. For example, I work at Tennessee State University, which is a historically Black institution. But it's also a land grant institution, which means we have an agriculture program. And so we're thinking about the larger issue of food supply or food scarcity issues, which are global challenges. What can we do as a school and institution, one that has a huge agriculture program and has received many grants? How can we cooperate and work with organizations and institutions and even universities in China that might have similar issues and questions they're trying to solve?

Diversity allows for us to have deeper understanding, and allows us to have a more solution-oriented perspective, versus one of dominance or the kind of cooperation/competition in which competition dominates cooperation.

How can we think about non-traditional ways of building pathways with China, and how can we expand to the point where we're looking at, for example, land grant institutions and food issues as a new way of rebuilding or re-establishing relationships with China? How can we expand the way we have traditionally solved those questions and concerns? And how does that lead to maybe looking at different institutions that have not always been a part of the China conversation. Because for better or worse, for both the U.S. and China, we are going to be together. Our economies, our supply chains, a lot of what we do every day — you name it. We are interconnected and intertwined. And that's not going to go away, despite the language and the rumors of decoupling. Decoupling would be an ugly image to process that no one would benefit from.

KJ Kerr

You have discussed some thoughts on those educational, people-to-people exchanges, and thinking about that specifically for students and study abroad, we've seen many of these programs reduced in recent years. How do you think we can regain some of those exchanges and increase those exchanges, both for students but also for young adults generally? Where's the hope for the future of the relationship?

Keisha Brown

I do have hope for the future. I'm trying to be optimistic because this is a space I've devoted my life's research to. And I tell people all the time, every time I go back to China, it feels like I'm going to my second home. It's just that comfortable for me. But I have hope because I've had a chance to work with young students both here and in China who want to engage and have diverse conversations that have more nuance. I worked with two graduate students

a couple of years ago who were addressing issues of race and anti-Blackness in China in a way that I was never expecting. They wanted to address some of these larger questions and challenges, and how we better engage with the U.S. and with the world, as well as how we think about some of our own internal issues and concerns.

Decoupling would be an ugly image to process that no one would benefit from.

I think there is hope because of the younger generations. They want to continue the relationship; it's just a matter of how we provide them the tools to do so. And I do think [part of that is] providing funding, providing opportunities and providing access to go to China. My philosophy is exposure and opportunities. My first experience going to Beijing for a week was kind of it for me. It solidified my interest and love for what I was doing through my research in China. Also the experiences. ... You can't replicate experiences, and so having the ability to

have an experience, to go, and to have your own story is important. Everyone has a story of "My first time in China" or "When I knew I wanted to study China" or "Why I studied China." And that comes from exposure and experience.

So [we need to] find opportunities and funding, as I said, bring back the Fulbright and create other pipelines, create new pathways, create new exchanges for individual institutions, expand the funding, create more collaborations, and make it so that students who want to can do those things. Chinese is still a critical language. And it's still a critical skill that absolutely needs to be championed. And so we need to use that as a means of expanding engagement, but also allowing students to have their own experiences and exposures, which will then increase our ability have hope in the future for the U.S.-China relationship.



◀ The Fulbright Program for China and Hong Kong, active since 1979 and 1993 respectively, has been terminated since July 14, 2020 under the executive order signed by former U.S. President Donald Trump.

About China-US Focus

China-US Focus is a platform where Chinese and American thought leaders can openly express their views on the myriad issues that face the two nations.

China-US Focus is published by the China-United States Exchange Foundation (CUSEF), an independent, non-profit and non-governmental foundation committed to the belief that a positive and peaceful relationship between the strongest developed nation and the most populous, fast-developing nation is essential for global wellbeing. Founded in Hong Kong in 2008 and privately funded, CUSEF builds platforms to encourage constructive dialogue and diverse exchanges between the people of the U.S. and China.

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