

EIGHT KEY TAKEAWAYS

FROM UC SAN DIEGO FORUM ON U.S.-CHINA RELATIONS

Jan. 30-31, 2024 | Washington, D.C.



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Organized by the 21st Century China Center at the School of Global Policy and Strategy, the UC San Diego Forum on U.S.-China Relations serves as a unique platform, bringing together influential American leaders from diverse sectors. Its purpose is to infuse a comprehensive understanding of China into in-depth discussions on effective and sustainable U.S. strategies and policies.

The center partnered with the Council on Foreign Relations to hold a special two-day forum in Washington, D.C. from Jan. 30-31, 2024. The proceedings commenced with a public address by Jake Sullivan, national security advisor to President Biden, who focused on the implementation of U.S. China strategies and key considerations for 2024. Subsequent closed-door sessions delved into five topics, such as the role of Congress in U.S.-China relations, the status of the Chinese economy, recent developments in China's domestic politics, the post-election landscape in Taiwan, and the costs and benefits of derisking for the U.S. and global economy.

The China Forum was not recorded, except for the public address by Sullivan. It adheres to the Chatham House Rule to foster candid discussions among participants.

The main takeaways from the 2024 winter forum are outlined below.

1. The debate on diplomatic engagement continues.

As National Security Advisor Jake Sullivan noted in his keynote address opening the China Forum on Jan. 30, Beijing and Washington are in the process of resuscitating their diplomatic channels of communication. Many forum participants welcomed this trend as essential for preventing further deterioration in relations and avoiding crises.

Yet because China has changed, it won't be possible simply to replicate the engagement approach of the past. Instead,

we need to develop a new paradigm for engagement. Today's diplomatic engagement will need to be more clear-eyed about Chinese objectives and threats to U.S. interests, and engagement may be more limited in the issues that can be negotiated. The PRC will continue to engage selectively with the liberal international order while building an alternative system which advantages China. It was significant that China had done a tremendous amount to decouple before the U.S. began to derisk itself.

2. China's economy faces strong headwinds.

The situation is caused by structural issues, such as the shrinking working age population and declining birthrate, but it is made worse by some practices that in the past helped to propel growth. Pre-paid housing is one such example. Many now face the prospect of having to continue to pay a mortgage on an apartment that is not being built. There was agreement that China was no longer likely to pass the U.S. in GDP soon, if ever. However, the Chinese government still has policy tools to stimulate internal consumption. So far, however, Beijing has focused on controlling economic information, i.e., suppressing negative news and issuing overly optimistic statistics and slogans instead of carrying out real reforms. But its frantic effort to hide the facts only serves to deepen people's skepticism toward the government's policies.

3. Unusual dissatisfaction exists at the elite, official and mass levels.

Ever since the sudden ending of the zero-COVID regime at the end of 2022, views of Xi Jinping have soured among business, intellectual and political elites. Disillusionment extends from private businesspeople to rural-urban migrants. More Chinese seek outward immigration (or "润/rùn" in Chinese). While Xi may have consolidated his authority, with the latest phase of power consolidation evident in the purge of leading figures in the military, state power at the grassroots level appears to be fraying.

Younger cadres may still believe in the Party, but they face wage cuts and bureaucratic exhaustion. The leadership may have reduced pollution, cleaned up the cultural scene and reduced alleged instability in places like Hong Kong, but Xi faces increasing budget constraints in his ability to achieve his domestic and international agenda. Xi's popularity will hinge largely on the performance of the economy.

4. How will China's domestic woes influence its foreign policies?

The Chinese leadership is facing a domestic crisis of confidence in its governance. The slowdown of the Chinese economy, including the cratering of the stock markets and the plummeting of foreign investment and Chinese private investment, requires it to restore investors' confidence in its competence. As part of that effort, Beijing is now

more critical, noting that Washington has settled on a bipartisan consensus of "confrontation" toward China that appears unlikely to change even if China's policies were different. The U.S. also lacks a trade policy with which to compete with China's economic links with its neighbors and many other countries. In particular, the U.S. should deepen international economic integration to encompass data and digital services.

It followed that the U.S. should focus on its comparative advantage in its competition with China, such as the net inflow of global talent. While the jury is still out on the prospects for the Chinese economy in the long run, many argued that the U.S. shouldn't shut the door entirely on China. Instead, the U.S. should capitalize on the Chinese low-cost capital by allowing for Chinese FDI and maintaining the appeal of an American university

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more outwardly courting foreign investors than before, and it appears to be making some adjustments in its foreign policy stance to demonstrate that it can effectively manage relations with the U.S., its neighbors and others. This motivation toward moderation could open new opportunities for negotiated solutions to some disputes and ease the hostility of the competitive relationship.

On the other hand, some others believe that domestic woes and a peaking of China's economic power could have the opposite effect, driving the leadership to divert popular attention from domestic problems to foreign threats. The possibility of a diversionary war intensifies anxieties that Beijing might initiate conflict.

5. Is the current U.S. approach toward competition isolating itself or China?

Many forum participants applauded the U.S. approach, emphasizing its efforts to consult and cooperate with allies as well as China's relative bullheadedness. Others were

education to draw talented Chinese to America. Negotiated solutions also should be possible on climate, fentanyl and AI regulations if both sides moderate their policies in some areas to win cooperation in others.

6. Broadening tech competition further widens the gyre engulfing the U.S. and China.

Insofar as the U.S.-China economic relations are concerned, long-term strategic competition in economy and technology has settled in. Despite its current economic problems, China still has tremendous weight to throw into the technological arena, as it could still position itself to compete and perhaps dominate in some key technical arenas. China's success in the EV realm was noted as an example of what China's system could deliver at its best.

As China pursues self-reliance and prioritizes security and ideology over economic development, the U.S. is also implementing a range of policies, from export controls to outbound and inbound investment restrictions, which

undermine investors' confidence. The securitization of many economic issues could have a chilling effect on businesses that have benefited from international openness. All this could lead to a rewiring of globalization, impacting other countries and dragging down global growth. Tech competition is increasingly becoming a zero-sum game in the eyes of policymakers. Some criticized the administration's approach, saying that the U.S. should narrow its yard of restricted technologies lest it damage its own economy.

7. The China-Russia relationship hinges on the strong personal bond between Xi and Putin.

China's pro-Russian "neutrality" in the Ukraine war is alienating Americans as well Europeans. Many Chinese recognize the downsides of China's relationship with Russia, but Xi himself shows no signs of distancing from Putin.

Taiwan's domestic dynamics are more complex than Americans understand them to be. For example, Taiwanese voters did not think of the latest election in terms of war vs. peace or PRC vs. Taiwan but were more focused on domestic issues. Experts also predicted that the new party, the TPP, will want to keep its own party brand rather than be perceived as a junior partner to either the DPP or the KMT, as its appeal hinges on its perceived outsider status. While the attendees agreed that President-elect Lai had been restrained in his language at his victory speech, concern was raised that his pro-independence history and desire to make his own mark apart from President Tsai could lead him toward dangerous waters.

Sanctions after conflict breaks out are not likely to be effective in the case of Taiwan, but clearly enunciated sanctions by Congress before the conflict could be a better deterrent. It was noted that the U.S. government has a

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Russia still looks to be the more dominant party in bilateral relations, despite China's apparent power. Xi and other top leaders were profoundly dismayed by Gorbachev's actions that led to the USSR's demise, and they believe that the U.S. played a role in unsettling the regime. This causes many CCP leaders to see the threat of U.S.-instigated "color revolution" as serious and perpetual.

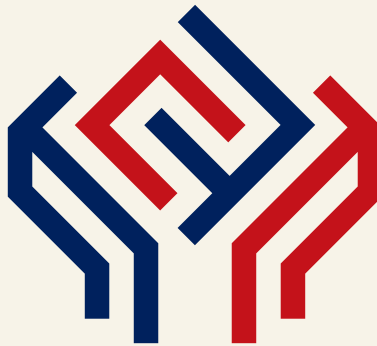
8. Taiwan's fate will depend on Taiwan's self-defense capability, the U.S. response, the Chinese leadership's tolerance for risk, and the severity of sanctions.

Taiwan needs to build up its capability to resist economic pressures and low-grade conflict as well as an outright attack. It followed that the U.S. and its friends and allies should develop tools to help Taiwan to counter lower-end pressures and threats rather than focusing only on direct military invasion.

difficult hand to play, needing to balance China, Taiwan and America's own legislative branch. The U.S. response could depend on the scenario of how any conflict happens — namely, who appears to be the provocateur.

Participants generally felt that the media narrative around Taiwan's election as a hinge point or period of high risk was overblown. They described Taiwan's current situation in serious and sober tones but did not betray alarm over inability to sustain the status quo in the coming year and beyond.

Given all this, it is argued that the de facto scenario in the U.S. and Taiwan's policy toward China will be one of continuity and improvisation, even if Trump were to return to office. Recommendations for the future were that the U.S. should work quietly without thumbing its nose toward China, communicate with both sides constantly to minimize misunderstanding, and avoid high-profile symbolic acts that publicly embarrass China and provoke further Chinese encroachment on Taiwan's autonomy.



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