



December 2021 China Forum Takeaways

FOURTEEN KEY TAKEAWAYS

The Sixth UC San Diego Forum on U.S.-China Relations took place virtually on Dec. 13-14, 2021. The China Forum has a unique blend of American leaders from different spheres. It is designed to infuse China knowledge into deep discussions of U.S. strategies and policies toward China.

The China Forum was not recorded, and we observe Chatham House Rule to ensure candid discussion among the participants. Included are the main takeaways from the forum discussion.

Politics and Policy Under Xi

1. Xi Jinping's vision is for a revitalized China that exemplifies the superiority of a Leninist political system and leads the world in technological prowess.
2. Achieving Xi's goal to become a tech superpower with an authoritarian state will necessarily cause economic waste and distortion. The era of Reform and Opening Up has come to an end, and the recent Party history resolution only confirms this policy turn.
3. Xi's statements and policies are riddled with inconsistencies. He is rigid in some areas (e.g., absolute Party control) but somewhat flexible in others (e.g., applying to become a member of the Comprehensive and Progressive Agreement for Trans-Pacific Partnership). Still, some actions can't be reversed even if Xi wants to revert to flexibility, such as in doing away with term limits for the top leader, purging hundreds of high-level officials, and cracking down on the private Internet firms, etc. As one participant noted, "Xi spent the first 5-10 years making his bed, and now he has to lie in it."
4. Xi faces problems in policy implementation. Centralizing power and demanding loyalty from below have created problems of over-compliance and inflexibility. Lower-level officials have little incentive to experiment with new policies due to fear of intense punishment for missteps.
5. Xi's regime touts its success in tackling COVID-19 as an example of the superiority of the Chinese Communist Party-led model, even as it bans discussion of COVID-19 origins and the government's initial blunders. There is no discussion at all in China of lessons learned from the initial mishandling of the outbreak.

U.S.-China Relationship

6. China objects to framing the bilateral relationship with the U.S. as a competition but is not truly prepared to cooperate with the U.S. on key issues, including climate change, unless the U.S. offers concessions on other issues. China has responded to U.S. sanctions with tit-for-tat retaliation, and Beijing is doing more to decouple from the U.S. than vice versa.
7. The debate in the U.S. on China's grand strategy hinges on the following questions: Is China primarily motivated by an intent to displace or blunt U.S. power; by other external pressures; or by internal (political/ regime security) factors? Is China's grand strategy driven by individual leaders like Xi or by the nature of the regime? Can China still be influenced? U.S. efforts should focus on shaping the strategic environment and reinforcing the best of U.S. values on the global stage.

Chinese Economy

8. China no longer admires the U.S. economic model and is turning more to German and South Korean models, which emphasize industrial policy, orderly competition and trade. China's economy faces strong headwinds, including demographic trends and persistently low labor productivity. Still, China's statist economic policy poses problems such as overcapacity, subsidies, and supply chain brittleness to other countries even when its economic performance is faltering.
9. The 2021 cascade of regulatory actions by China represents a serious shift in policy, which will cause short-term damage to the economy. These actions reflect Xi Jinping's ideological belief that China needs to rewrite the rules of business—to herd the capitalist spirit into a cage—which is likely to entail setting tighter parameters for private entrepreneurs in the areas they may invest in and how much profit they will be

allowed to make. Economic policies will shift to prioritizing hard tech over soft tech industries. These actions are aimed, not at destroying the market, but at making sure private entrepreneurs serve the state. We expect to see more regulations to rein in private capital even as the government pivots to more pro-growth policies in 2022.

U.S. Policy and Strategy

10. The Biden administration has formalized the quadrilateral meetings, or Quad, that was introduced by George W. Bush in response to the Indian Ocean Tsunami in 2004. It aims to deepen cooperation among its members, which include India, Japan and Australia by adding issues like climate change, 5G, cyber and vaccines to the Quad's security agenda. But pulling out of the Trans-Pacific Partnership without a regional trade policy puts the U.S. at a serious disadvantage relative to China.
11. U.S. policy toward Taiwan has not changed under the Biden administration despite speculation to the contrary. In response to increasing Chinese threats to Taiwan, the U.S. needs to maintain its capability to respond, work with allies in the region, and continue to supply defensive articles to Taiwan to buttress deterrence. The U.S. needs to work to avoid "guns of August"—i.e., inadvertent miscalculation and escalation that leads to war.
12. China has some structural advantages in tech innovation, e.g., population and market size, a national STEM strategy, and growing investment in R&D. In contrast, the U.S. Innovation and Competition Act (USICA) bill and the CHIPS for America Act are necessary, but not sufficient to ensure U.S. techno-security leadership going forward. The U.S. should not seek to counter China on every advanced technology but should adopt an asymmetric strategy for competition by leveraging international alliances and controlling the "choke points" of critical technologies like semiconductors where the U.S. dominates.
13. There is a broad bipartisan agreement in the U.S. that China poses a grave geopolitical, economic and technological challenge to the U.S, with some gap in perceptions between Wall Street and the security experts. Wall Street tends to downplay the threatening nature of the challenge while security experts think it demands more attention. Disagreement remains on whether the U.S. should focus on strengthening U.S. capacity or preventing China from advancing. Most speakers expressed a preference for a positive vision of reinforcing American excellence and leadership by establishing pre-eminence in key areas such as quantum computing, artificial intelligence, chip technology and biotech; and putting global rules and norms, good governance and democratic values at the center of tech strategy.
14. There is widespread agreement that U.S. tech strategy needs to look broadly for and attract talent across the world, including in the Global South. Despite concerns about cooperation with scientists in China who are required to disclose findings to the military, the advantage for the U.S. in acquiring and retaining talent was seen by all as critical in general.



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