

## Speech by Sarah Beran for the Robert F. Ellsworth Memorial Lecture

### Three Futures: Mapping the U.S.-China Relationship

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Venue: Great Hall, UC San Diego (9810 International Lane, La Jolla, CA 92093)

The future of U.S.-China relations is at a pivotal moment. In this year's Ellsworth Lecture, [Sarah Beran](#), former Senior Director for China and Taiwan Affairs at the National Security Council, will examine three possible paths forward for the U.S. and China: striking a bargain, continuing competition or rapid deterioration. Susan Shirk will moderate the talk.

### Introduction

Thank you, Victor, for those kind words. It is an honor to be here today.

When Susan, Victor and Lei first approached me about this lecture several months ago, the future trajectory of the U.S.-China bilateral relationship seemed uncertain. Tensions had dramatically spiked and subsided several times since the Trump Administration took office – embargo level tariffs following April's "Liberation Day" gave way to midsummer stabilization and wishful speculation about a grand bargain. Tensions rapidly escalated again in late September, and then a meeting between Presidents Trump and Xi ushered in an uncertain and temporary truce.

The path forward looks to be just as volatile and so it is useful that today's lecture gives us the space to explore three different possible futures for the relationship, and the structural and idiosyncratic factors that might influence this trajectory.

A year ago, there was a bipartisan consensus in Washington on the nature of the threat China posed to U.S. national security and economic competitiveness, though opinions varied greatly on how to counter that threat. Now, less than a year later, this consensus has been questioned and the latticework of partners to deal with the China challenge has been set aside in favor of a G2 approach. Some are cheering this change, worried that the two superpowers were locked into a path that inexorably led to conflict. Others are deeply concerned that focusing solely on economic challenges in the relationship will weaken deterrence and increase longer-term risk in other areas.

But for the first time in years, as the U.S.-China relationship bounces around like an EKG, this moment of tumult and volatility makes it seem like anything is possible.

Today, we'll explore three possible futures from least to most likely: a grand bargain that sets the bilateral relationship on a more stable trajectory; a rapid deterioration of bilateral ties that could lead to economic and perhaps even military conflict; and finally persistent strategic competition across economic, tech, and military domains that is short of conflict but results in selective decoupling.

As any student of international relations will tell you, structural dynamics are important in charting the course of a bilateral relationship, but I will not use our time today to repeat the well-known debates over rising and status quo powers. As a practitioner who has had a ringside seat to U.S.-China diplomacy for the last 25 years, I will focus on the idiosyncratic elements that can have an equally critical impact on the relationship's trajectory.

First, Beijing has agency in the direction of the relationship to a greater degree than we have seen before. It has always had a veto on U.S. efforts to change the trajectory of the relationship. But we are seeing something different now – Beijing is shaping policy and acting pre-emptively, not just mirroring U.S. actions in proportional retaliation. Informed at least in part by what it sees as its success in forcing the Trump Administration to climb down twice from the threat of tariffs in April and October, China now views itself as an equal to the United States, as Defense Minister Dong Jun reportedly told Secretary of War Hegseth. This will have implications far beyond trade negotiations.

Second, the personalities and idiosyncrasies of leaders matter – more than observers outside the system realize. And oftentimes more than strategy. They inject an element of uncertainty and possibility. Leaders can hit it off and it can put the relationship on a new trajectory. I saw this dynamic firsthand with the strengthening of the U.S.-India relationship. The affinity between Indian Foreign Secretary Jaishankar and his U.S. counterparts – they genuinely liked and trusted him – led both sides to take greater risks in their respective politics. While trust and affection is in short supply between the U.S. and China, the interpersonal dynamic has changed how Beijing deals with the White House. Rightly or wrongly, Beijing believes elevating all issues to the top will mean a more favorable hearing for its position – this is a significant deviation from the previous strategy of trying to shape the U.S. approach by building favorable constituencies bottom-up.

Third, the maxim that all politics are local applies to foreign policy, and it is even more true in the era of the internet and social media. Presidents watch inflation, consumer sentiment, and yes, the bond market, shifting approaches unpredictably on foreign policy issues in response. President Biden held off on sanctioning Russia's energy sector over concern about prices at the pump during an election year, leading Moscow to doubt his stomach for tough measures. This White House backed away from doubling tariffs on China over concern about rising bond yields, when in the context of trade negotiations, it should have shown strength and held firm. And while the centralized nature of the Chinese system means Chinese leaders are much less responsive to the concerns of their citizens, they still exhibit a surprising degree of sensitivity to

staying on the right side of vocal netizens. These domestically-driven shifts are often misread by foreign counterparts as giving them greater leverage than they actually have – very rarely does a counterpart understand the domestic politics of the other to a degree that they can calibrate strategic advantage. Instead, it can lead to miscalculation.

Fourth, neither the U.S. nor the Chinese system operates as a monolith, and major decisions often emerge from internal bureaucratic competition between institutions, factions, and worldviews. In the United States, there is a visible tension between those who favor a more hawkish posture towards China and those who approach China through a transactional ‘dealmaking’ lens. The lack of a consensus – and no central policy coordination mechanism- leads to contradictory and sometimes incoherent public messaging and policy actions. And in China, unclear leadership guidance and competing bureaucratic priorities drive competing approaches, even if public talking points suggest unity.

So, with these considerations about agency, personality, domestic politics, and bureaucratic fragmentation in mind, let’s move on to the three possible futures for the bilateral relationship, what would need to happen to bring each to pass, and how these paths could be sustained. We’ll start with what I consider to be the least likely scenario.

### **Option One: Grand Bargain**

The first scenario, and the least likely in my view, is a grand bargain – the United States and China reach agreement on a broad swathe of issues that puts the relationship on a more stable and more positive trajectory- not a reversion to the full engagement of the early 2000s, but at least a less toxic version of competition. In the economic domain, this would require an accommodation on some structural economic issues to avoid a second China shock and make a grand bargain untenable domestically in the United States. And both countries would need to press pause on the drive to rip the other out of tech stacks and AI – some derisking would be acceptable, but not a wholesale decoupling. In the military domain, the two sides would need to reach an understanding on Taiwan. Norms and guardrails would need to be established around militaries operating in close proximity and on cyber activities, such as data theft and prepositioning on civilian critical infrastructure. If a grand bargain were exclusively scoped around economic issues- that is, the two sides did not reach agreement on or perhaps even discuss strategic issues- then to be sustainable, it would require the U.S. retreating to a Western Hemisphere sphere of influence approach, reducing its presence in Asia, acquiescing in China’s political strategy toward Taiwan, making clear to its Asian allies that mutual defense treaties no longer applied, and accepting a multipolar world and essentially a unipolar Asia.

Beijing in turn would need to accept those spheres of influence, reducing its presence in the Western Hemisphere, stepping back from port and infrastructure deals in the region, changing its rhetoric around global governance, and reducing at least the scale and scope of its vast cyber operations against the United States.

My view is that this kind of grand bargain is highly unlikely, even though this may be where the White House would like to go. When the U.S. and China normalized relations in 1979, the last

time there was a grand bargain, it was motivated by a shared desire to shift the strategic balance with the Soviet Union. The compromises that were required on both sides were possible because of this shared strategic goal. I see no evidence that there is a common threat or a common shared strategic goal now. In fact, it is the opposite. Beijing is convinced that the current administration is an anomaly and the long-term U.S. goal will remain containment and decoupling. It is confident of its growing leverage, sees the U.S. negotiating from a position of weakness, and believes that over time, the U.S. position will continue to weaken. Beijing is therefore unwilling to take the actions needed, and the U.S. is unable to sustain a grand bargain alone.

## Option 2: Rapid Deterioration

Which brings us to the second scenario, slightly more likely in the longer-term, but still not the baseline scenario: rapid deterioration of the bilateral relationship, decoupling, and potentially even conflict between the United States and China. In the short-term, this is low probability, but high impact for the U.S., China, and the world. The downside risks – economic, social, and military- mean neither side is likely to deliberately choose this path. But over time, if military operations, cyber activities, and deployment of economic chokeholds continue unabated, with both sides aiming to increase the leverage they exert on the other, it will feed a continuation of competition and decoupling that will never reach the point of stability. And when the two economies and the two peoples have few remaining ties and multiple friction points, the potential for a rapid deterioration becomes more likely.

This rapid deterioration or break in relations could be preceded by a black swan event, compounded by miscommunication, disinformation, and misread signaling. This could be a metal-on-metal incident in the South China Sea or Taiwan Strait that escalates into a limited conflict. It could be a domestic cyberattack that destroys civilian critical infrastructure and lives. Incidents like these would likely prompt a cut off in communication between the two sides that persists for an extended period of time. Three recent black swan events – the U.S. bombing of the Chinese Embassy in Belgrade in 1999, the Chinese downing of the U.S. EP-3 in 2001, and the Chinese spy balloon over the United States in 2023 all resulted in diplomatic blackouts and derailing of the bilateral relationship, albeit briefly. The dynamics are different now – China is more confident, the channels are thinner, and social media in both countries can fan the flames of populism much more quickly. A miscommunication or misreading of signals fed by disinformation or even a disruptive state actor like Russia that an incident was a prelude to action related to Taiwan could prompt a kinetic reaction. Both sides view a destructive cyberattack on civilian critical infrastructure, for example, as a prelude to military action on Taiwan. But if such an attack were launched by AI- as Anthropic alleged a recent low-grade Chinese cyber espionage campaign was – and diplomatic channels went dark leaving no avenue for de-escalation or crisis management – the aggrieved party could launch a counterattack, as U.S. officials have warned in the past. This rapid escalation, while seemingly the stuff of action films, is a plausible outcome in a future where prolonged and unmanaged competition has led to decoupling.

### Option 3: Strategic Competition – Most Likely

Inertia is a powerful force in foreign policy, and the third and most likely scenario is a continuation of strategic competition. It does not preclude tactical truces. In fact, this is a likely component, as we saw last month when the two presidents met in Korea. Both sides see value in temporary stabilization to minimize the economic impact of decoupling in some strategic sectors. In the economic domain, there would be fierce competition, trade barriers, and some trade and investment in non-sensitive sectors, even as both sides seek to rationalize and reduce their economic dependence on each other. In military and cyber domains, both sides would continue operations, but military deterrence, the threat of punitive economic actions, and alliances would discourage escalation. But how stable is this status quo? And can it be sustained on the back of trade talks alone?

Chinese scholars have argued that strategic competition could be a phase, a temporary transition towards a new equilibrium of a cooler, but more stable relationship. This is an attractive framing, but finding a new equilibrium, would require the U.S. accepting China as a peer equal, with both sides taking steps to curb the most aggressive military and cyber activities, both sides acquiescing in the reality that they will deny each other the most advanced technology, and leaders on both sides exerting control over the most hawkish voices in their system. That is a long list of requirements for a relationship that lacks the most basic elements of trust. It is not impossible, but it would require a negotiated, coordinated pullback from the more extreme elements of strategic competition – not just a tactical standoff between two peer equals. The rumored pause on national security measures by both sides following the Trump-Xi meeting could be the start of this pullback, but instead I find it far more likely that it is a tactical truce, giving both sides breathing room before the next round of escalation.

### Conclusion

As we weigh these three scenarios, where are we overconfident, what are we missing, and where is our bias? Sharp differences between how Washington and Beijing, Wall Street and Financial Street, answer these three questions means that there are very different visions of the future and relative risk. The relationship has shown more resilience than originally expected over the last 8 years since strategic competition intensified, demonstrating that both sides have an interest in keeping it from spinning out of control. But it has also exhibited a nearly uninterrupted structural decline and it is unclear where that decline will end.

Rising Chinese confidence and risk tolerance mean we are in uncharted territory and previous reactions might not be predictive of future action/reaction cycles. And Washington is also far from a predictable actor, with fraying alliances, and no consensus on the approach to China. Absent concerted effort on both sides, over time, unfettered strategic competition could lead to a bifurcated, less stable, more conflict prone world. A far preferable outcome would be a stable, managed competition, with selective decoupling in some national security sensitive areas, but continued trade and investment in others. But that is only possible with intense diplomacy that places limits on decoupling and introduces norms, coordination with partners and allies on a joint approach, and a strategy that rebuilds core American strengths.