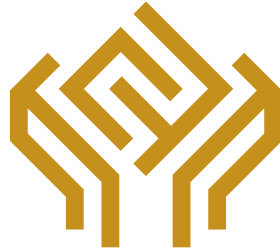


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KEY TAKEAWAYS

2026 WASHINGTON CHINA FORUM

"Great Changes": The United States, China, and the Transformation of World Order



KEY TAKEAWAYS

The Washington China Forum (WCF) is a joint initiative of the Council on Foreign Relations' China Strategy Initiative and the 21st Century China Center at the UC San Diego School of Global Policy and Strategy. The 2026 Forum, held in Washington, D.C. on January 27, brought together more than 100 participants from across the United States.

1. The bipartisan consensus in Congress that China is the central strategic challenge remains consistent across administrations.

Despite some rhetorical shifts in recent strategy documents, current U.S. strategy emphasizes stability, deterrence, and “peace through strength,” combining sustained military preparedness with a transactional, interest-based approach to diplomacy.

2. U.S. trade policy is no longer primarily about inducing China to reform its economic system, but about creating incentives to rebuild U.S. industrial capacity and reduce strategic vulnerability.

The administration views tariffs as durable, powerful tools because of the size of the U.S. consumer market, even as they carry real economic costs. China's increasing use of its economic leverage — especially in critical minerals and supply chains — has spurred U.S. deployment of its own market power, but the overuse of tariffs has had corrosive economic and geostrategic impacts, fragmenting the global economy and estranging allies whose support is needed on China policy.

3. China's global posture is grounded in its confidence that it has time and space to achieve its own version of the global order and displace select features of the U.S.-led order.

It does not need to confront the U.S. head-on to “win” the competition. Nor does it want to take on the burdens of hegemonic leadership the way that Washington has. Beijing's gameplan is instead to establish a selective leadership in various functional spheres of influence, especially those related to economics and technology, while continuing an unprecedented conventional and nuclear military buildup. To prevent a U.S.-led coalition that might seek to curb China's ambitions, Beijing is investing heavily

in relationships with strategically autonomous middle powers and emphasizing economic and developmental engagement. Without credible economic and technological offerings, the United States risks ceding influence, especially in the Global South, by default, even as it asserts military dominance in its own hemisphere.

4. The world is facing not only a “China shock” but an “America shock,” as allies and partners try to adapt to a more unpredictable United States while also responding to pressures from China.

China has identified concrete sources of economic power — especially in critical minerals and supply chains — and shown a growing willingness to use them. The U.S. administration has signaled an openness to a tactical accommodation while still acknowledging that it is in a long-term structural competition with China. Other countries are struggling to become more resilient and manage the risks from both sides.

5. The U.S. alliance system in the Indo-Pacific is not at the breaking point but is under severe strain.

Despite shifts in tone, rhetoric and trade policy under the current U.S. administration, on-the-ground security cooperation, deterrence posture and alliance activity in the Indo-Pacific have largely been sustained. Core U.S. strategic documents continue to prioritize the region and emphasize maintaining a favorable balance of power while relying on deeper burden-sharing among allies and partners. For allies in the region, the practical test of U.S. credibility lies less in declaratory policy than in operational reality: military cooperation, maritime security, defense investments and sustained engagement across the first island chain. On the economic front, reducing overdependence on China — especially in critical minerals, advanced manufacturing and supply chains — is seen as a long-term but achievable task, requiring domestic capacity-building and coordinated economic action to build “allied scale” among like-minded countries.

6. It is unclear if the Trump administration's prioritizing the Western Hemisphere is meant to serve as a platform for sustained global

competition — especially with China — or a fallback from an overextended international role. The administration's actions suggest continued activity across Europe, the Middle East and Asia, but without a clearly articulated theory tying hemispheric consolidation to global leadership. Washington's approaches in Latin America lean heavily on military power, pressure and transactional leverage while offering few economic incentives or positive alternatives. This imbalance may limit U.S. effectiveness in countering China's economic and technological presence in Latin America, particularly where Beijing's infrastructure, trade and digital offerings remain attractive. Pressure on close partners, especially Canada and European allies, could fracture cooperation with them on China at a critical moment.

7. China's manufacturing dominance is strategic, comprehensive and accelerating, albeit at a high cost. China's industrial policy has been remarkably effective in building capacity across frontier sectors — from batteries and EVs to robotics and advanced manufacturing — and is set to expand further under the next five-year plan. This success, however, comes with inefficiencies, overcapacity and growing domestic strains, leaving open questions about sustainability, especially as the global backlash to China's surplus in goods intensifies. The United States has begun its own industrial policy, although the scale gap with China remains vast. Recent efforts mark a real shift toward deploying public capital to crowd in private investment, reduce risk and rebuild domestic manufacturing capacity. Yet even optimistic assessments underscored that current initiatives fall far short of what would be required to match China's scale across advanced industries. Markets alone will not deliver resilience in sectors where China already dominates; durable solutions will require government coordination, long-term commitments and acceptance of higher costs. Allied coordination matters, but it cannot substitute for domestic capacity. Differences in political will, economic exposure and short-term incentives complicate coordination. The emerging consensus was that allied strategies are most effective when paired with credible U.S. domestic manufacturing capabilities rather than used as a substitute for them.

8. The United States is no longer merely "at risk" of falling behind in basic science; it already is lagging in several critical science and technology domains. China's scientific

achievements have been achieved not merely by imitation or intellectual property theft, but by sustained, state-coordinated and state-funded education, research and scaling. China combines large-scale investment in basic research, tight coordination between government and industry, and a clear national mission to dominate frontier technologies. In fields such as biotechnology, materials science, AI and energy, China is producing genuinely novel advances while also excelling at rapid commercialization, often faster than the United States can translate discovery into deployment. America's traditional strengths — research universities, openness to global talent and investigator-driven science — are eroding largely due to self-inflicted policy wounds. Flat or declining federal funding, policy volatility and government barriers to attracting and retaining foreign scientific talent are weakening the foundations of U.S. innovation. Reliance on private-sector R&D or philanthropy cannot substitute for sustained public investment in basic science, nor can domestic talent pipelines quickly replace outflows of international STEM talent. The emerging question is not just how to compete with China, but how to adapt U.S. institutions to thrive in an era of sustained technological rivalry.

9. While the Taiwan Relations Act remains its legal foundation, American declaratory policy has become less consistent and more ambiguous, with subtle but meaningful shifts in language and emphasis. Deterrence, not rhetoric, is doing most of the work — but words still matter. There was broad agreement that China's military pressure will continue regardless of U.S. phrasing, making deterrence capacity and preparedness more consequential than formal statements. Recent purges in the PLA's leadership may ultimately strengthen China's capabilities, but in the short term they are likely to heighten Xi Jinping's caution. Nevertheless, persistent gray-zone activity, military exercises and political signaling are blurring warning indicators and are increasing the risk of escalation through accident or misjudgment. Managing this environment will require clearer crisis communication and careful calibration to avoid a spiral neither side intends. Deterrence should be seen as inseparable from resilience. Taiwan has significantly improved its asymmetric defense posture, civilian preparedness and whole-of-society resilience. However, internal political divisions and uncertainty over defense spending signal to outside observers that resolve cannot be taken for granted — an issue closely watched in both Washington and Beijing.

ABOUT THE CHINA STRATEGY INITIATIVE AT CFR

Throughout its hundred-plus-year history, the Council on Foreign Relations (CFR) has convened Americans across geographies, industries, and political parties to reckon with the national security challenges of the moment. In that tradition, the CFR China Strategy Initiative (CSI) is an ambitious, cross-cutting new endeavor on U.S. strategy toward the People's Republic of China (PRC). The initiative seeks to answer critical questions that go to the heart of U.S. China strategy through four specific programs.

- **What does China think?** CSI's Inside China program focuses on analyzing developments within the PRC across politics, economics, and society. Its signature project, the Open Source Observatory, combines artificial intelligence with Pekingology to acquire, digitize, and translate vast quantities of Chinese-language material and make it available to the public.
- **What is China doing?** CSI's China 360 program leverages expertise from across the Council to understand China's global activities and how countries are responding.
- **How should the United States compete?** CSI's China Policy Accelerator produces actionable policy recommendations on what the United States can do to improve its competitive position—not just abroad but at home—on issues including securing critical infrastructure, bolstering the defense industrial base, and enhancing pharmaceutical supply chain resiliency.
- **How should we manage competition?** CSI's Global China Forum launches conversations with experts from the United States, China, and other countries around the world on U.S.-China relations and China policy.

ABOUT THE COUNCIL ON FOREIGN RELATIONS

The mission of the Council on Foreign Relations is to inform U.S. engagement with the world. Founded in 1921, CFR is a nonpartisan, independent national membership organization, think tank, educator, and publisher, including of Foreign Affairs. It generates policy-relevant ideas and analysis, convenes experts and policymakers, and promotes informed public discussion—all to have an impact on the most consequential issues facing the United States and the world.

ABOUT THE 21ST CENTURY CHINA CENTER

The 21st Century China Center at the UC San Diego School of Global Policy and Strategy is a dynamic hub for data-driven research, policy dialogue and public engagement focused on China. Its mission is to produce and disseminate impactful, evidence-based research about China and to enhance U.S.-China mutual understanding by advancing scholarly collaboration, convening policy discussions and actively communicating with policymakers and the general public in both countries. Learn more at china.ucsd.edu.

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