



UC San Diego Forum on U.S.-China Relations

## FIFTEEN KEY TAKEAWAYS

The inaugural **UC San Diego Forum on U.S.-China Relations** was held in La Jolla, California from Aug. 12–16, 2019. Its purpose was to convene an independent and sustaining community of thought leaders and policy experts to foster creative thinking on how to advance U.S.-China relations and bridge the growing gap between Washington, D.C. and Beijing, China.

The forum featured 60 participants drawn from business, the military, academia and think tanks, as well as several participants from China. Following are fifteen key takeaways from the forum.

1

**China is now and will remain the defining issue in U.S. foreign policy for decades to come:** The China Forum involved deep discussion and debate about China's growing role and the changing bilateral relationship. One constant throughout the proceedings was the widespread agreement among participants that the question of how the U.S. and China coexist and compete in the decades ahead will be the defining foreign policy issue of the twenty-first century. A variety of other important issues – from global governance to regional disputes in distant regions – will be significantly influenced and in some cases largely determined by developments in the U.S.-China relationship. Every aspect of American life will be affected as well. Participants also agreed that the stakes of the bilateral relationship are highly polarized: on the one side, the U.S. and China have the potential to solve issues like climate change if they work together; on the other, if the relationship deteriorates, they can derail the global economy or take the world to the brink of nuclear conflict.

2

**Given the stakes of U.S.-China ties, the U.S. needs to deepen its understanding of China and the wider region:** After several decades focused on the challenges of the Middle East and Southwest Asia, American officials are now intimately familiar with the hills and valleys of Iraq and Afghanistan but less prepared for the subtleties and nuances of Chinese statecraft. Within the government, the U.S. needs to invest in human capital so that it can better understand China's internal dynamics and the wider region. This might require vastly greater spending on language training, more time for personnel to do rotations within the region, and increased staffs for those institutions focused on China and the Indo-Pacific. Outside of the government, participants agreed that all sectors – business, science, technology, the military and academia, among others – needed to deepen their understanding of China and Asia both to capture possible opportunities and to better handle possible risks.

3

**The Cold War analogy is a poor fit for U.S.-China relations:** Participants generally agreed that the Cold War experience does not properly capture the complexity of the bilateral relationship. The U.S.-China competition does not feature at this point the Cold War's existential stakes or repeat nuclear brinkmanship, nor does it involve rival ideological and security blocs and proxy wars. Moreover, in sharp contrast to the Cold War, the chief arena of the present competition is economic and technological – with the possibility of military conflict largely focused on East Asian hotspots. Unlike the Soviet Union, China has embraced globalization, and it is central to the prosperity of American allies and partners. Moreover, China is far more capable of generating economic growth than the Soviet Union and also more effective in converting economic power into political influence. In this way, the Cold War analogy thus overstates the existential threat posed by China while discounting the strengths Beijing brings to long-term competition with the U.S.

4

**Competitive coexistence, rather than confrontation and containment, is the best path forward:** The participants rejected a China policy that was implacably confrontational or that sought to contain China. Such a policy would not only be imprudent, but it would also be harmful to U.S. interests, especially given continued economic and technological interdependence and the reality that global challenges like climate change or nuclear proliferation cannot be solved without U.S.-China cooperation. At the same time, participants acknowledged that a policy that downplayed or ignored the areas of growing military, economic, technological and political competition could not secure American or allied interests either, and that romantic assumptions about China's trajectory need to be retired. Participants generally agreed that the way forward would be a kind of clear-eyed "competitive coexistence" that involved both cooperation and competition. This might involve prioritizing the kinds of interests the U.S. wanted to secure over the kind of relationship it wanted to have with Beijing, as well as accepting competition as a condition to be managed rather than a problem to be solved.

5

**To effectively compete with China, the U.S. needs first to put its house in order:** Participants from both political parties agreed that the heart of U.S.-China competition was over economic and technological dynamism. Accordingly, participants were in wide agreement that to improve the U.S. position in that competition, it would be essential to attend to the foundations of American power. Participants stressed the need for “self-strengthening,” which would include significantly greater public investment in infrastructure, education, scientific research and a social safety net that more effectively protects workers from the disruptions of trade and automation. From a domestic self-strengthening perspective, the concern among participants was not that the U.S. was responding too vigorously to competition with China; rather, it was instead that the U.S. was not responding vigorously enough. On the other hand, participants noted that mobilizing resources through a China competitive frame could fuel unnecessary confrontation if not carefully handled.

6

**China’s industrial policy targets the technologies of the future, and is highly wasteful but can nonetheless present a significant challenge:** Participants discussed China’s massive state-led investments in technologies such as artificial intelligence, quantum computing and semiconductors, noting that China hoped to dominate all of these sectors according to its own planning document. One participant noted that the Chinese government guidance funds have pledged \$1.5 trillion in investment to priority sectors, vastly more than the U.S. equivalent. Experts noted that this approach generated enormous waste and that the current state-dominated economic system has major shortcomings. Even so, many participants acknowledged the strength of China’s economy, particularly after forty years of growth of private businesses and warned that China’s industrial policy could nonetheless propel the country forward in key industries, especially when combined with its drive to acquire critical foreign technologies. At the same time, some experts noted that there was an increasingly inverse relationship between the success of Chinese industrial policy and global goodwill for China. Some participants expected industrial policy approaches to spread as states sought a leg up in competition with Chinese state-backed efforts.

7

**Wholesale economic and technological decoupling is “lose-lose”:** Despite China’s lack of economic reciprocity with the U.S., participants generally agreed that economic and technological interdependence runs throughout the relationship in ways that are mutually beneficial and would complicate wholesale decoupling. Even in strategic technologies like artificial intelligence and semiconductors, complex webs of talent and supply chains between the U.S. and China strongly suggest that efforts to decouple would seriously damage innovation in both countries and deal a serious blow to global technological progress as well. From this perspective, decoupling in certain sectors could be “lose-lose” for the U.S. and China if not the wider world. Given that reality, unwinding certain features of economic and technological interdependence should be undertaken only after prudent weighing of risks and benefits related to specific sectors and technologies. Playing defense against China by means of expansive restrictions on investment and scientific collaborations, interventions in capital markets and visa denials could lead to tit-for-tat negative reciprocity in a “race to the bottom” with China.

8

**China is increasingly a global power and competition for influence will take on global dimensions:** Many participants noted that China is not merely a regional power but a global one. These participants pointed out that over the last decade, China’s interests and influence have grown across Latin America, Africa, the Middle East and Europe. They encouraged greater attention to this development – particularly the role of China’s Belt and Road Initiative in propelling it in recent years. They also suggested that China would increasingly compete more vigorously for global influence with the U.S. in regions around the world, even if Beijing does not drive the U.S. out of Asia. China attracts other countries to its side by using its economic heft and selective access to its market.



To compete, the U.S. will have to earn international respect for its vibrant open market democracy, its commitment to the rules based global order and its network of allies.

9

**The U.S. should focus on deterrence, rather than military primacy, in East Asia:** Military experts argued that China is now a peer military competitor in East Asia for the U.S. and that American military predominance has eroded. Indeed, China has significant and growing capabilities that complicate U.S. intervention in regional crises and create a need for new U.S. military approaches and investments. Participants generally agreed the pursuit of U.S. military primacy in the region was no longer tenable and instead supported a less costly and more plausible strategy focused on deterring Chinese adventurism in East Asia's flashpoints. Even so, experts on regional crises noted growing Chinese military assertiveness over Taiwan, the East China Sea and the South China Sea, as well as renewed efforts to undermine U.S. alliances, could escalate into conflict if mishandled. Despite widespread agreement that risk reduction and crisis management mechanisms were vital, there was skepticism that China would adequately support such efforts.

10

**China's digital authoritarianism is deeply concerning, as is its potential export:** Participants expressed concern over China's fusion of its repressive Leninism with new technology. In particular, new capabilities in facial recognition and text mining of vast datasets of micro-level individual behavior will better enable monitoring, surveillance and punishment, therefore reducing the cost of repression. Participants noted that China is exporting some of these capabilities to both democracies and autocracies, which raises the possibility of liberal retrenchment and autocratic consolidation. At least for now, difficulties in fielding this technology may slow its adoption outside China, but the trend line suggests these challenges will be overcome to the detriment of liberal values. The U.S. lacks credible national policies for privacy and cybersecurity that can serve as models for other countries who want to embrace digital technology but wish to preserve individual rights and democratic values. The U.S. needs to get its domestic policy house in order as a requisite to balancing Chinese advocacy.

11

**Xi Jinping and Donald Trump have both taken steps that will complicate future cooperation:** They have both been disruptive within their political systems. They have undermined or undermanned the institutions that historically play a role in managing the bilateral relationship and have a consolidated policy within their offices among a tight group of advisors. In addition, both leaders are self-assured, assertive and have populist inclinations. When these traits are combined with the de-institutionalization of foreign policy, the result is an increased risk of dangerous miscalculation and spirals of animosity, all while shrinking the scope for bargaining and reducing the likelihood that either leader will back down in a confrontation.

12

**Chinese Communist Party's ascendancy under Xi has led to increasing ideological rigidity, reduced policy pragmatism and stalled market reform in China:** Forum participants noted that straight-line predictions of China's economic and political development would be unwise. One participant tabled the provocative notion of "peak China." Multiple fault lines exist between the Party and the state, center and localities, market reformers and advocates of Maoist socialism, younger and older generations, and state and private sectors. We need to be mindful of the pressures that are bearing down on Xi Jinping and recognize the Chinese system's fragility as well as its strength. Both its fragility and strength drive China's international behavior.

13

**The bipartisan consensus supporting stable bilateral ties is eroding:** Over the last thirty years, there has been broad support for a stable bilateral relationship shared by the business and centrist wings of the Democratic and Republican parties. Participants agreed that in recent years, the business

and centrist wings of the Democratic and Republican parties. Participants agreed that in recent years, the business community – the ballast in the relationship – has soured on many aspects of the economic relationship and is no longer balancing the national security experts who call for tighter restrictions on technology, trade and investment with China. At roughly the same time, the left and right flanks of both political parties have grown skeptical of bilateral ties. This erosion is in part a product of change in U.S. domestic politics, but it is also a function of Chinese policy: notably, insufficient economic reciprocity; the fusion of censorship and repression with technology; increasing assertiveness in disputes with its neighbors; and China's growing willingness to punish U.S. individuals, universities and corporations for statements or actions related to Chinese domestic politics.



**There are clear differentiating features across generations among China scholars:** Many of the participants – both American and Chinese – agreed that younger analysts and policymakers in the U.S. are generally more critical of the policy of engagement, more concerned about China's growing influence and more convinced of the need for a competitive policy. The younger generation, in these conversations, saw the need to readjust policy to account for China as it is under Xi Jinping rather than to recapture past eras of greater comity. In contrast, those whose involvement with China dated further back shared the concerns of younger analysts and policymakers, but worried that an overly competitive policy could veer into outright confrontation, locking in a spiral of mutual antagonism. Drawing from their own longstanding experience, they argued that China was not a monolith and that U.S. policy could still find ways to empower reformers. Despite occasionally sharp differences over China policy among the attendees, there was abundant respect for the fresh ideas and deep experience of all participants.



**Safeguarding the civil rights of Asians and Asian Americans requires special attention:** The participants shared a concern that growing U.S.-China tensions posed risks for the civil liberties of Asians and Asian Americans. These risks flow from a variety of sources. On the one hand, China has induced some members of its diaspora to participate in espionage and other activities in support of the regime; on the other hand, politicians and policymakers are reacting without proper discretion, due process, or cognizance of triggering a "China panic" among the general public. Casting suspicion on talented Chinese and Chinese Americans doing legitimate research and business in the U.S. in the effort to investigate a few bad actors will do lasting damage to America's innovation ecosystem and its civil liberties.



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