

QI/FP Panel:

East Meets West

November 9, 2023

8:30 -11:45 AM EST

Session One – Diplomacy in a New Era: A Framing Conversation with the Quincy Institute

Ladies and gentlemen, please welcome to the stage Foreign Policy editor-in-chief, Ravi Agrawal.

Ravi Agrawal (00:17):

Thank you everyone. Welcome. Thanks for coming in nice and early. So this is an event called East Meets West, and I think it's fitting that we find ourselves snuggled inside a grand train station. I'm Ravi Agrawal. I'm the editor-in-chief of Foreign Policy, and it's my pleasure to welcome all of you here on behalf of FP and also our partners for this event today, the Quincy Institute for Responsible Statecraft. In the next two and a half hours, we are going to try and wow you with a smart and scintillating discussion about the most important relationship in the world between the two biggest economies in the world. And we have a terrific lineup of speakers to do exactly that from government to the private sector, think tanks. And each of them have sharp and diverse viewpoints on China and how to deal with China's rise.

(01:16)

Now, beyond the obvious discussing the US-China relationship, why are we here? And I remarked earlier about gathering at a train station, but the reality is that we're gathered here in DC the seat of power in this country. We're not far from Capitol Hill. And it's become a truism these days that Republicans and Democrats agree on one thing and one thing alone, and that is being tough on China. Getting tougher on China. If you want to pass a bill in Congress, whether it's about inflation or technology or anything else, just make it about China competing with China, it will get passed suddenly you have bipartisan consensus. Now to be clear, there are reasons to be tough on China. An agreement in Congress is good. We need some of that. But agreement without questions being asked is not good. That is sometimes dangerous. Sometimes the tough questions need to be asked. For example, okay, you should be tough in China, but to what end? Where does that lead? What is the ideal end state of our trajectory in the US China relationship. Is excluding China from the global commons actually smart? Where does that lead? What does that mean for America? What does it mean for the world? What does it mean for the economy?

(02:41)

Now, I'm not here to preach a certain point of view as a journalist. I mostly just believe in asking the right questions. Back when everyone was talking about decoupling in this town, the question

we were asking is what does that mean? I mean, is it even possible? Now that everyone's talking about de-risking, I think the same set of questions need to be asked. What does it mean? What happens when rhetoric gets in the way of smart and nuanced discussions? What happens if tensions escalate and spill over? Are we looking at the full spectrum of consequences?

(03:14)

So hopefully today we're going to address all of those questions and push all of our panelists and speakers and guests to think about answers that we might not always be considering in regular debate in DC. That is why we're here. Now, it's also just worth mentioning at the outset that we're at a very important moment in the US-China relationship. Next week at the Apex Summit in San Francisco, Chinese President Xi Jinping is going to meet US President Joe Biden. This is likely the single most important meeting between two people that we're going to see all year. The two sides have been talking a little bit more of late, which can only be a good thing.

(03:55)

Now, on that note, I do have an unfortunate bit of news. We were expecting to be joined today by Kurt Campbell, the top Asia policy official in the administration. He's essentially the architect of The White House's China policy. We learned yesterday he had to pull out. The White House told us that they're trying to avoid public pronouncements on China in the lead up to next week's meetings. Now, this could be because this is a very high stakes meeting and it's sensitive and they're worried about saying something that might derail things and we want to respect that. It is a disappointment for us, but it's a reminder of what's at stake here. This is a very high stakes relationship and a high stakes moment. We're going to talk about that.

(04:41)

Before we start, just a few quick housekeeping notes. We'd like to include you and the audience as well. At the end of each session, we'll bring you in. So if you have a question, raise your hand. There's a roving microphone here and we'll bring you in. And also for people who are watching us around the world, this is being live-streamed. We will hear you as well. You can write your questions on the livestream site and we'll bring you in or we'll try to channel some of your questions in ours as we continue to this discussion here.

(05:12)

So let's get started. It is my pleasure now to bring on our first guest. Andy Bacevich Co-Founded the Quincy Institute in 2019. He's the chairman of its board of directors and our partner in this event today. He's a graduate of West Point and Princeton. He served in the army before becoming an academic. He's written or edited about a dozen books. And really there's a lot to learn from Andy Bacevich. So ladies and gentlemen, let's have a round of applause for him to welcome him on. Welcome.

Andy Bacevich (05:59):

Thank you very much. I have to admit, I'm still trying to figure out where I fit in the promise of scintillating conversation. It's generally not my strong suit, but...

Ravi Agrawal (06:09):

You bring the smart, I'll try to bring scintillating. I'm going to fail at that. That was a bad one. Let's start with this. We often hear the phrase, new Cold War to describe the US-China relationship. Is that a good thing?

Andy Bacevich (06:29):

I think it's a terrible thing. Now, we're at least a generation apart in age. You don't even remember the Cold War.

Ravi Agrawal (06:40):

I read about it.

Andy Bacevich (06:41):

I remember it and I participated in it in many respects. And my recollection of the Cold War is Korea. Not that I was there. Vietnam, I was there. Nuclear arms race, the Cuban Missile Crisis, McCarthyism, the military industrial complex, the imperial presidency. I guess the outcome was favorable. But I think the damage done to our country in the course of the Cold War is tremendous. And therefore I'm very wary about the notion that that's the path we're headed down. We need to look for other historical metaphors to guide us.

Ravi Agrawal (07:28):

And do you have one? What would be a better way to think about US-China competition?

Andy Bacevich (07:36):

It has to begin in my judgment with looking for common interests. There are some. Certainly we have a common interest in voiding great power war, which in all likelihood could end up being a nuclear war. We have a common interest in addressing the what many people think is the existential challenge of climate change. To say that those ought to be priorities is not to dismiss other urgent issues. But I think you look for the things you can agree on and you build a relationship from that.

Ravi Agrawal (08:20):

Now, you probably teach things such as the Thucydides's Trap, which for those of you don't know, I mean when you have a hegemon and then a rising power, there's a certain inevitability to the two reaching a point of conflict. And that's another framework that often gets deployed to describe the US-China relationship. I'm assuming you think that's not a good framework?

Andy Bacevich (08:47):

Absolutely. See, that's a framework that political scientists like. Political scientists believe in theories. They believe in using theories as a basis for policy. My training is in history. I think historians generally think that life is really complicated. The complications warn us against believing in easy solutions. But the complications also suggest that there may be other paths than the ones that the political scientists tend to focus on. And I apologize to all of the political scientists in this room.

Ravi Agrawal (09:23):

Well, of course the Thucydides's Trap comes from history as well, and Sparta and-

Andy Bacevich (09:27):

Fair enough. But it's been adopted in our own day I think by the political scientists.

Ravi Agrawal (09:34):

Now, to be clear, when I was talking about how there's bipartisan agreement in DC on getting tough on China, there are very good reasons to be worried about some of the things China does.

Andy Bacevich (09:47):

Absolutely.

Ravi Agrawal (09:48):

There are very good reasons to be tough on China on several aspects. I mean, if you look at what China's doing in Tibet, in Hong Kong, in Xinjiang with human rights, its policies in the South China Sea, Taiwan, these are all areas that are worrying. They're worrying I think for the United States. They're certainly worrying for actors in Asia. So when you say, and when you think about this relationship as getting too heated, what is the alternative to dealing with a country that is rising rapidly in strength and power and that is doing things that are shaking up the world order?

Andy Bacevich (10:30):

First of all, I mean the rise of China is real, but I think it's also in understanding the context in which policy is evolving. It's important to appreciate the fact that China has its own problems. And those problems which I think are mostly economic, but could be domestic, political as well, are themselves going to be a source of restraint. From the Quincy Institute, we stand for restraint. We're not naive. We recognize that the US-China relationship is fraught with risk and is enormously complex. There are no let the lion lie down with the lamb solutions to this.

(11:15)

But I think we believe that applying the principle of restraint, emphasizing the importance of consistent dialogue can over time help us identify a path that can lead to something approximating, peaceful coexistence. It ain't going to be easy. The entire relationship is fraught with tremendous risk. But I think our view is that the restraint is a place to begin to try to foster a dialogue that can yield positive results. Maybe it's restrained combined with wariness, our eyes got to be open.

Ravi Agrawal (12:05):

Coming back to again, policy towards China, another phrase that gets used a lot in this relationship and with heated rhetoric is escalatory spiral. And I mean, given your background as a historian and in the military, what are the dangers that you see if we are in an escalatory spiral with China? What are the dangers we should be aware of?

Andy Bacevich (12:34):

Well, I mean, the biggest danger is the possibility of a shooting war in the Asia Pacific. Whether over Taiwan or whether stemming from territorial disputes. The danger is a real one. I think we would be naive to deny that. What's the answer? I think the answer is dialogue based on a common understanding of common interests. I have no five point plan to bring peace to the Asia Pacific. But I think the rhetoric that we heard from Republican candidates at the debate last night, which assumes that there is no coexistence, that assumes that the relationship has to be contradictory. The assumption takes us down a path that is a very dangerous one.

Ravi Agrawal (13:30):

Now, is it fair to say that in the last few weeks, maybe even months, there's been a little bit of a cooling down in rhetoric? Do you think that's a fair assessment? And if so, why do you think that's happening?

Andy Bacevich (13:45):

Well, so I live in Walpole, Massachusetts, which is a long way from Washington DC. So I don't know exactly what's driving that change, but the change does seem to be a real one. I can tell that even out there in Walpole. It could be in part at least that the Biden administration recognizes that it has its hands full with other crises. So it's not the time to court a showdown with the People's Republic. We got problems in Ukraine, we got problems with Gaza-Israel. So perhaps it's time to take a more tempered approach to another part of the world. That's at least one possible explanation.

(14:38)

The election season is upon us. And again, I'm not a political expert, but it appears to me that Mr. Biden, who wishes to win a second term, may have a difficult time doing that, and therefore it may not be time to court big trouble. I personally think based on no political experience whatsoever, that if we stumble into another major war, anytime in the near future, the result is

going to be bad for American democracy, and therefore the avoidance of war always ought to be a foreign policy priority. But I think given the political sensitivities of the moment, it should be even more a political priority.

Ravi Agrawal (15:27):

Now, California's Governor Newsom just went to China and it seemed like he was channeling some... No, here we go. Okay. Sorry about that. It seemed like Governor Newsom was able to still raise difficult issues when he met his Chinese...

Andy Bacevich (16:17):

And it's good my mic is off because I confess that-

Ravi Agrawal (16:20):

No, yours is on.

Andy Bacevich (16:21):

I didn't pay any attention to his trip.

Ravi Agrawal (16:39):

As we work on the mic. There you go. Okay, I'm going to use this one. In his visit, he was able to, I think approach... He even traveled far and wide, but was able to approach discussions with the Chinese less from a necessarily antagonistic position, but a little bit more nuance and humility as well. And I guess maybe to linger on the word humility, is it your sense that with America's relative decline in the last 20 years or so since the Iraq war, that because of that relative decline. I'm not saying decline in absolute terms, relative decline given China's rise, given the rise of other countries in the global south, do you think that changes how America should approach the way it grapples with China's rise?

Andy Bacevich (17:35):

Oh, unquestionably. And I think that in some quarters of our establishment, the American establishment, that necessity. The necessity of humility is beginning to sink in. But on the other hand, the resistance to that prospect, the resistance to the notion that we must be number one and we will be number one from now until eternity, that notion is still very powerful. And sadly then taking a tough stand with China offers itself as a way of doing that, as a way of demonstrating that, yeah, we're still number one. We ain't going to be pushed around. And that whole attitude I think is fraught with danger.

Ravi Agrawal (18:35):

Well, I think that's an excellent framework for us to have several other discussions here today. We have panels on the economy. We have representatives from Congress coming in as well to

discuss the US policymakers approach. We will be looking at the role of the global south, which often gets forgotten that as you have America and China locked in competition, what does it mean for other big countries around the world, India, Nigeria, Indonesia, countries that see both the United States and China as crucial trading partners. This is different from the Cold War. Another way in which it's different in that 40 years ago, all of these other countries didn't actually necessarily see the Soviet Union as vital to its interests. So there are many other really interesting discussions coming up, and you'll see me again in a bit. But for now, I'd like to thank you Andy Bacevich.

Andy Bacevich ([19:34](#)):

Thank you very much. Appreciate it.

Session Two – Beyond the Rhetoric: Economic Consequences of A Deteriorating Relationship

Next, please welcome to the stage J.P. Morgan Chair of Global Research, Joyce Chang, and Commissioner on the US China Economic and Security Review Commission, Kimberly Glas. Her conversation with journalist Bob Davis on the economic consequences of a deteriorating relationship.

Bob Davis ([20:01](#)):

Are we ready? I guess we are ready. All right. So this is the economic portion of the event. And I thought the way to think about that is just for years and years, we've been thinking about a China that grows at historic rates. How to deal with the growing China, how to deal with a more prosperous China. I looked at the national security strategies of the United States since Reagan, and each one of them aside from the Trump administration, said a prosperous China is in America's interest.

([21:19](#))

Now, you can debate whether that's true or not, but the question now is what about a stagnating China? So is a stagnating China in America's interest? And if it is, should the US be trying to push that stagnation, trying to hobble it in some fashion or other? So I thought we'd start, Joyce, you've been studying the economy there for quite some time. Maybe you can give a roundup of where you think we're at.

Joyce Chang ([21:44](#)):

Well, China has announced stimulus in August quite recently, and we actually think that China will grow at 5.2% this year. So we think they will meet the 5% growth target. But all of that said, China's growth will slow down. Part of that is demographics. Part of it is the debt burden. But we do think that by the 2030s, you will be looking at more like a 3% growth rate in China. But even at a 3% growth rate, even with China slowing down, I think there is a reality for the US that that is still the largest middle class. It's still the largest number one trading partner for 120 countries in the world. And we're looking at a period, generally speaking where global growth is slowing

down. We're not going to see the kinds of growth numbers that we saw back in the early 2000s again. So I think that though China does face a lot of domestic challenges in addition to the foreign policy considerations that we're talking about. And much of that is really the question on whether they are going to be able to rebalance their economy towards domestic consumption, which has been the goal of the common prosperity. So even the stimulus that has been put into place, it's really not hitting the household level. And this is where confidence starts at the household level in China, in the private sector as well as in the foreign policy arena. So I think that there is a determination to hit the growth target this year that China has the policy tools to be able to do that. But there's much less conviction about the medium term outlook and whether this rebalancing and reorientation of the economy away from this investment led model more towards domestic consumption will work.

Bob Davis ([23:37](#)):

But I mean in the US, the World Bank, the IMF have been pounding on China for decades to shift more to a consumption-based growth. I mean, it's been the mantra, man. I mean, at least since the Clinton years. And I think if you talk to Chinese economists, they would agree with that. I mean the Chinese economists that deal with the west anyway. So why do you think it hasn't happened?

Joyce Chang ([24:01](#)):

Well, I think there's a number of reasons. But over the last few years, the regulatory environment had a lot to do with that. You've seen that private sector investment, including the domestic private sector investment has come down. It's been led by state-owned companies. But you also have precautionary savings in China, in part because there's uncertainty on the employment outlook. The youth unemployment rate is over 20% in China right now. And you don't have a strong social safety net on the healthcare system. And in addition to that, you also have the property and sector as well going through a real period of restructuring that's going to take a very long time. So this is not inspiring confidence for households to let go of their savings.

Bob Davis ([24:54](#)):

And one last one on the economy. You've talked in some of your reports and there's been a note generally about huge outflows of money, money going out of China. Can you explain what's going on?

Joyce Chang ([25:05](#)):

Well, I would say that there's two ways to look at China. There's doing business in China, the foreign direct investment flows, and then there's the portfolio flows, buying the debt and equities of China. And on the portfolio flows, we have seen really large outflows. Part of this is due to the rise in US treasury yields that there are other alternatives that are giving yields. But I would say in the fixed income market, for example, you've seen probably about half of the inflows that went in from 2019 come out since Russia's invasion of Ukraine. And then you have the China

property sector where about 60% of the China high yield property market has defaulted. So that is an unheard-of statistic when you look at just sectors of the economy, that's gone into default. So there's been a lot of outflows. Now what we're beginning to see is this year that's actually hitting some of the foreign direct investment in flows. The portfolio outflows happen more quickly. You would expect some of that. But this year we're also seeing that looking at the balance of payments, you've come to a 26-year low on foreign direct investment. That still doesn't change the fact though. That's not de-globalization in my opinion, because the trade that China is doing has remained very consistent. It's just the trading partners have shifted. But we are beginning to see even in the FDI flows some real effects right now in addition to portfolio outflows which started really in early 2022.

Bob Davis ([26:38](#)):

And Kim, let's shift to economic policy. Do you think the goal of the United States ought to be to decouple or to de-risk if there's any difference whatsoever in those two terms? How do you look at it from a policy point of view?

Kimberly Glas ([26:54](#)):

Well, I agree with much of what Joyce said around the current state of the economy. I think it's no state secret that we are de-risking. I think American companies who've had investments in China are looking at other markets. I think they're looking at de-risking their risk assessment in that particular country. So decoupling I think connotes we're overall divorcing. It's a much more complicated relationship because of our trade status. But I think a lot of people are positioned to de-risk. And the US-China Commission was created by Congress to look at these issues in a bipartisan way. And our commission report is coming out next week, and we're going to be talking about what are the elements that we're seeing in the economic trends as well as some of the de-risking strategies that companies are now deploying.

Bob Davis ([27:51](#)):

And is there a, excuse me, a recommendation for how to de-risk, excuse me. How would you approach that? A company came to you and said, "Listen, we're worried about China. There's 100 different reasons to worry. What should we do?"

Kimberly Glas ([28:05](#)):

I think both from a public policy perspective of what the administration's putting forward with what Capitol Hill stakeholders are putting forward in legislation, as well as at the company level, there's already a de-risking strategy. So we have the outbound investment rulemaking process. We have export controls on semiconductors. We are seeing less foreign direct investment in US companies at an all time low over the last, what, 26 years in China. We're also seeing Chinese companies de-risking out of China. They are moving into other market economies like Mexico and other areas of the world to either avoid paying tariffs. And I think the larger question, Bob, is what are the implications of the current economic state in China to the US economy. Because it's not a transparent system. We have rampant unemployment. They have a housing bubble,

they have a real estate crisis, they have an infrastructure crisis. These are things that are not often reported by the Chinese government. And I think companies are understanding the opaqueness of that structure actually puts some of their assets at risk and are taking strategic... We've talked to many American companies who've invested in China who are looking at my investment in China is to service the Chinese market, but for all the other markets, we're investing elsewhere to service those markets. So I think part of almost every strategic plan these days is to look at that assessment.

Bob Davis ([29:42](#)):

So let's talk about that, I mean, as you're saying, the impact on the United States. So when you think about it, is it a positive? So China's slowing. Everyone agrees China's slowing. I mean, I think an open question is, as you say, if it goes from 5% to 3%, does it go to 5% and then 3% the next year and that's a problem? Or is it a slow glide path, a soft landing as the Fed would call it? So what do you think? Is it a positive thing or a negative thing that China's slowing and has all these problems for the US?

Kimberly Glas ([30:16](#)):

I would be concerned. So if you have such rampant unemployment amongst your youth and high employment industries like infrastructure and whatnot are pulling back spending, and you have a debt problem in China. In order to help maintain social stability, which is what the party is there designed to do, it's a very different system than what the system that we have here. And to strengthen their positioning within the Chinese infrastructure, you're going to see continued rampant subsidies for industries that will impact our manufacturing sector and others globally, because they're not consuming the products that they want. Their consumption model has slowed down. And I think that's going to have real implications to the global economy on what we're going to be seeing in the marketplace and the flood of subsidized imports, whether it's to the United States market or other market economies.

Bob Davis ([31:18](#)):

So Joyce, let me try the flip side of that. Let's say that's the case, cheap imports to the United States. China's maybe at least flirting with deflation. Why wouldn't that be a good thing for the United States? Cheap imports, reduced inflation, the issue that we had pretty much until COVID, I would say. Why isn't that a positive or do you think it is a positive?

Joyce Chang ([31:40](#)):

No. I think that very much to Kim's point, I mean that US businesses are looking at diversification. Whether it is China plus one, whether it is some of this nearshoring or this friendshoring. But what they want to really see is some level of predictability on the policy side. So there were some regulatory measures that US businesses and domestic businesses also felt were not well explained by the government. And I think that big picture, if you look at the numbers, the way we look at it is every 1% decline that you see in China's growth takes about 0.2% off of global growth, overall. But it's zero for the US because the US is not as dependent

on China as some other countries. But if you're in an emerging markets that is exporting commodities like Latin America, it's like 1% down is 0.7% down. So there is a global impact because there's very little that replaces China demand. But for the US, which is a consumer economy, I mean the cheap goods has been very helpful. I think when you look at some of these big picture effects of policy, you do have to ask the question, if you're no longer choosing who you do business with based on the lowest cost of production, are you ultimately...

Joyce Chang ([33:00](#)):

... who you do business with based on the lowest cost of production. Are you ultimately going to have somewhat higher inflation, more volatility in the marketplace? And so, this rise in more industrial policies is bringing up those questions that we're looking at lower growth overall, including for the US going forward, not just for China, but for where we are as far as just the cost of this geo-economic fragmentation.

Bob Davis ([33:23](#)):

So, Kim, do you agree with that? Do you agree that this move toward de-risking and so on and moving away from China might slow global growth, but I would imagine maybe your argument might be it's worth it essentially? Things have a cost, right?

Kimberly Glas ([33:43](#)):

Yeah, things have a cost. First off, just to make a point on what Joyce said, I think that having dumped products into the US marketplace, putting people out of jobs and good wages is not an overall benefit to the US economy and our ability to purchase the kinds of products we need to make. Sadly, with the Uyghur Forced Labor Prevention Act being strong bipartisan support out of Congress, we're seeing cotton production in places like Xinjiang increase and making its way into our closets and things like that. So, there's more enforcement activities that are necessary to stop what is called the illegal trade happening right now. But overall, I think everyone is looking at a de-risking model, whether it's nearshoring to places like Mexico or Central America or diversifying their portfolio, and that's a good thing. There's something happening in the global economy right now that's a real structural change. It's because China is not progressing in their own structural changes as quickly enough because people are seeing that there's a risk here, and that the risks have been amplified over the last few years as there's more opaqueness in their structure. So, I think COVID was a seminal event in the global economy as supply chain started to break down, and it really illuminated for boards and illuminated for investors we can't put everything in the China basket. How do we diversify our portfolio and take into account the geopolitical risks of putting everything over in China/Asia?

Bob Davis ([35:27](#)):

No, I think we have here, in a nutshell, the paradox or the dilemma of globalization. Again, let's assume what folks are saying is true that there's going to be a flood of subsidies, cheaper goods into the US. So, on the one hand, yeah, that'll put some people out of business certainly, and we'll wind up hurting communities that depend on companies that compete with China. On

the other hand, if you have cheaper goods and inflation's a problem, it might help to drive down inflation. So, there's your balance. Pick your poison, basically. I wanted to ask Kim also, I would say the heart of this administration's efforts to keep ahead of China or keep China behind the US, if you want to look at it, technologically, is this what they call the export controls, the small fence. No, I get it wrong. High fence, small yard. And it seemed like it was a really, really high fence in the beginning and an incredible assertion of American power, and they seemed to be backing off a little bit from that. I wonder how you look at where we are at the moment.

Kimberly Glas ([36:39](#)):

Yeah, I agree. I think that, first off, there's been a lot of debate in Washington about outbound investment rules on the semiconductor export controls. Please note, the Chinese are also deploying export controls on things like critical minerals in order to help shield their own market share. So, there's been a lot of attention about what the United States is doing, but we have to also look at the reverse of what the Chinese are doing that is a real risk to our economy. So, we're seeing the Chinese deploying a lot of their resources into EV technologies to actually be, and I think they are right now, a global leader in EV production. They're looking at high value-added industries, whether it's artificial intelligence and whatnot. And so, how is the United States going to respond? And are we deploying the policy solutions at both an aggressive enough and rapid enough rate in order to help shore up our ability to have access to these technologies? How are we building out our international relationships for critical mineral, ability for us to obtain critical minerals to help get to the clean energy future? These are all key questions right now that I think we're grappling with.

Bob Davis ([38:00](#)):

I want to have both of you look at a certain proposition. So, let's talk about areas where the US is clearly behind technologically. Electric vehicles, solar energy, wind power, you can name the ones that you like. But where the US is behind, do you think it would be an appropriate policy for the US to encourage foreign investment from China in those areas where the US is behind, and including if there are subsidies available for US-based companies, meaning companies that produce in the US, should they be available for Chinese companies too? Kim, what do you think?

Kimberly Glas ([38:42](#)):

There's economic security concerns. I mean, we're talking very much in theory right now around-

Bob Davis ([38:49](#)):

No, really, I mean for batteries and stuff.

Kimberly Glas ([38:50](#)):

... providing Chinese companies with subsidies of American taxpayer dollars in our facilities. My initial gut reaction to that is we should not be doing that. We should be investing in US companies. There have been various joint ventures in the United States between US companies and Chinese companies for the deployment of EVs and things like that. I would have a big cautionary flag with respect to how US taxpayer dollars are utilized. I do think that the US government has started to move forward with key investments for semiconductors, and there's a lot of conversation in Congress about the guardrails associated with those, how those funds should be used. US taxpayers and communities pay their tax rates, so do US companies, and shouldn't we be helping bolster more domestic production? Are there ways that we can be working with the Chinese to help develop potential technologies or understand how we can advance our own sector, because obviously climate change is a global issue? Yeah. But what does that look like, I think needs to be more thoughtfully considered.

Bob Davis ([40:04](#)):

And Joyce, what would you think of encouraging Chinese FDI and even if it meant providing subsidies, if we provide subsidies for other foreign companies that come and produce in the US like a German company that would set up a facility?

Joyce Chang ([40:19](#)):

I don't even think it has to be about necessarily talking about subsidies. So, I think there's some realities, and China has had a 30-year monopoly on rare earth and critical minerals. And even the way that a lot of the IRA is written that you will get these tax credits if you do business in a circle of trust with the ally. You can't even really do that now because we don't have the production capacity. So, there has to be some realism that comes into this. But rather than even thinking about subsidies, there's some basic things that one can talk about. We're not getting as many of the advanced degree students who are really able to lead in innovation in the advanced sciences into the US from China now. And so, rather than saying, do we subsidize this, it's that you need to understand we're still in the global economy where there needs to be a way in which we do work with each other. It doesn't mean that you necessarily say we're going to subsidize you in the US to do this because that's a very specific question, but still, you need to be able to trade certain things. So, I think there has been this whole debate. This is why there's been a little bit of backing away from the sanctions as well because you've seen that other countries are worried about, can your reserves get confiscated? Do we want to do more in non-dollars? So, I wouldn't just say subsidizing to do business in the US. There are so many other global linkages, whether it is educational, whether it is trade, and there is a big difference. You can say small yard, high fences, but I think the Chinese are right to say, what does that mean exactly? Because if the size of the yard keeps on changing, we're not sure. And what is really about national security where both sides will have their industrial policy? So, I feel like it often gets turned into a discussion where we basically say, is this about keeping China in or out? Rather than actually looking at what do you need in a global economy since you're the first and second largest economies to just have some rules of the road, but also to make sure that you do have the tenets of free trade still in place.

Bob Davis ([42:24](#)):

I think we have some time for a question. I'm not quite sure how the questions work here. Oh, there we are.

Moderator ([42:32](#)):

Thanks. We actually have a question from George in the UK. He would like to know how reliable you think the Chinese government's data actually is.

Bob Davis ([42:41](#)):

Joyce, why don't you go first?

Joyce Chang ([42:42](#)):

Well, look, I think there's been some numbers that they haven't been releasing, like the youth unemployment numbers. And the years I've looked at China, we have often found that some of the sample surveys actually give you better data. But I would say this, that on the overall macro data, I don't worry so much about that. And 30 years ago, you could have really questioned that, the GDP, the inflation numbers, some of these macro numbers. But I think at the more micro level, there are a lot of concerns or when something has become a more controversial figure, whether they don't necessarily release it. So, I do think that remains something that has always been discussed for those who are looking at the Chinese economy.

Bob Davis ([43:29](#)):

And Kim, the commission clearly needs to deal with the data. How do you all look at it?

Kimberly Glas ([43:34](#)):

With a discerning eye towards data and different data sources that we cite in our report? Like Joyce mentioned, some of the data that used to be available-

Joyce Chang ([43:46](#)):

Isn't available.

Kimberly Glas ([43:47](#)):

... is not available anymore. And so, if I'm a US company trying to get a real sense about what's happening on the ground there, I would have a real cautionary flag. Do I really know what's underlying in the Chinese economy right now? Do I really have a good sense? Should I have confidence in these numbers? And I would proceed with extreme caution.

Bob Davis ([44:09](#)):

Another question.

Moderator ([44:12](#)):

So, Chris, just down the road at SAIS, would like to know, considering the extent of other countries' subsidy packages both in and outside of China, combined with the vast and specialized heavy nature of this industry in all of its segments, is it wise for the US to attempt to onshore the entire semiconductor supply chain? Or should we be working together with allies?

Joyce Chang ([44:35](#)):

You have to work together with allies. I mean, this is why I love that IRA has written isn't actually something that you can put into place, but that also is going to take time. And you also have to remember that with our allies, they don't look at China necessarily the same way that we do. So, if you look at Europe, even though there are parts of Europe that look at China as a partner, there are some that look at it as a competitor, like I'd say Germany, the Netherlands. The US looks at it as a rival. So, our allies don't have a uniform view on China. And certainly, in emerging markets, you have a greater dependency on China commodities, all kinds of other linkages than you do on the United States. You don't want to pick and choose. So, I think it is very important that one does have a multilateral dialogue and the capability to keep that dialogue very much as the Quincy Institute has convened this type of conversation to keep that into place.

Bob Davis ([45:33](#)):

Kim, last word, you have 10 seconds.

Kimberly Glas ([45:36](#)):

Nope. I think, Joyce, you did a great job.

Bob Davis ([45:39](#)):

All right then, we're done. Thanks very much.

Joyce Chang ([45:42](#)):

Thank you. Thanks, Kim.

Kimberly Glas ([45:42](#)):

Yeah, nice meeting you.

Joyce Chang ([45:42](#)):

I look forward to continuing the dialogue.

Session Three – New Partnerships, New Paradigms: Strategic Investment and Soft Power in the Global South

Next, please welcome to the stage: U.S. International Development Finance Corporation Deputy CEO Nisha Biswal and Quincy Institute Global South Program Director Sarang Shidore for a conversation with Ravi Agrawal on soft power in the global south.

Ravi Agrawal ([46:24](#)):

Hi, everyone. I'm back with a functional mic. Thank you, Bob, and your panelists, for a wonderful discussion on economics. I'll just do a quick plug. Bob is the co-author of a terrific book called *Superpower Showdown* with Lingling Wei at the Wall Street Journal. I definitely recommend reading that book if you want to understand the trajectory of how the United States first opened up to China in the '90s and 2000s and how we got to the point we're at now. And economics, of course, is really important for all of the discussions we're having today because when you assess China's strength, economics is the backbone of that, and it's only with that assessment that you have a sense of how you deal with the China challenge. So, we're here now to discuss the Global South and how that pertains to the US-China relationship. I have two wonderful guests, Nisha Biswal, who's the deputy CEO of US IDFC, recently nominated and confirmed; and Sarang Shidore from the Quincy Institute. We just discovered we also briefly went to the same high school. So, it's a reunion in thoughts. Sarang, let me start with you. You've made the case in the past that when it comes to the Global South, America's policies are often seen as being too focused on China. Explain that.

Sarang Shidore ([47:59](#)):

Yeah. I think maybe, first, we should take a step back and think of where we are compared to where we were 30 years ago. So, 30 years ago, America had won the Cold War. We were in the world as this sole superpower. Nations were looking up to the United States as a model. Times have changed now. Power is diffusing away from Washington on some key dimensions, not all, but some key dimensions. America is much weaker, and that has created a space for the Global South to assert itself. That's part of the reason. The other part of the reason is, in fact, that they have grown economically in those 30 years. Part of that reason, again, is because of China. So, this is not a decade where we can have a design made in Washington and expect countries in the Global South, especially in the middle powers, to find a way to align with it. This is a time when we actually have Global South states asserting themselves, regionally carving out spaces where they're actually in some ways close to a match with other great powers, at least can push the boundaries of that dynamic. And so, we have to take that into account. Many times, the way we operate in the Global South has a hangover of unipolarity still being around. We say we recognize a new world, but we don't often act that way, and Global South states see that. And I think this is where there's a significant disconnect. So, I think the United States needs to adapt to this world that is different and start retooling its strategy appropriately, which is not happening enough in my view at this time.

Ravi Agrawal (50:05):

So, I have to bring Nisha in on this one then. I mean, you're at IDFC now, but you were in the State Department for a while. You formulated South Asia policy, for example. Do you agree with this assessment that America hasn't quite realized that the unipolar moment is over?

Nisha Biswal (50:27):

I don't know that I would ever characterize US foreign policy as being, advancing a unipolar construct. I think that we have for some time operated in a multipolar world and have operated through building consensus and collaboration with partners and allies across the world. And I think we continue to do that. So, I don't think it's necessarily a construct that I've come across in my dealings either when I was previously at State, nor in my current capacity at DFC. We work very, very closely with not only our G7 partners, very closely with G20 partners in the ways in which we try to advance both bilateral and regional solutions that meet the needs of the countries that we're working.

Ravi Agrawal (51:28):

And when you look at the work that DFC does around the world, how do you see China as a competing force and how do you differentiate what America's role is in those parts of the world?

Nisha Biswal (51:45):

I don't think we are that concerned with or driven by China, quite honestly. What we try to do is address the demand that we hear from our partners in the South as well as partners in other regions for financing that is transparent, that is high standard, that is focused on value addition and impact in the countries, and is commercially viable and sustainable. Because we have been focused very hard on meeting that demand, I think we've been highly successful in attracting really interesting, important and impactful projects, and that demand for our financing has simply grown. I think in FY23, we invested or committed a total of 9.3 billion in that year alone around the world, across 130 plus projects in 45 countries around the world. We have a total exposure right now in Africa of over 10 billion in financing, in Latin America of 9.5 billion, and globally, at about 42 billion. So, this to me speaks to the moment, which is that providing that high standard that brings in best practices and that is private sector focused and commercially viable, so that it doesn't create unsustainable debt burdens, sovereign debt around the world, so that it doesn't create white elephant projects that are not linked to economic growth and economic benefit in these countries is something that countries are really responding to and we're racing to meet the demand that is coming at us.

Ravi Agrawal (53:51):

I think you very elegantly, without mentioning China, referred to China there. Sarang, I'm guessing you disagree with some of this.

Sarang Shidore (54:01):

Yeah.

Ravi Agrawal ([54:01](#)):

You must think, I'm guessing, that America's approach is too China focused, but expand on that and respond.

Sarang Shidore ([54:07](#)):

Yeah, sure. I take no issue with the good work that the DFC is doing. I think the fact that we have a DFC, it should, in fact, be bigger. I'm sure Nisha Biswal would agree with me that her budget should be doubled, tripled, or even more.

Nisha Biswal ([54:20](#)):

From your lips to Congress's ears.

Ravi Agrawal ([54:20](#)):

That's decided.

Sarang Shidore ([54:24](#)):

Yeah, I'm going to wave my magic wand. But I think the reality is if you step back from the DFC, which is doing great work, look at the whole of government. We get into panic attacks when things happen that are actually not so significant. So, for example, the Solomon Islands issue the last year roiled the media for weeks because one tiny island, sovereign state it is, but nevertheless much smaller than the United States, signed a limited agreement with China that allowed for some policing cooperation. There was no military base being planned. The Pacific is an American lake. I mean the sorts of alliances that are there, US alliances, the compacts of free association, there's a whole range of US security structures, allies present. Yet, for weeks, we were thinking that we have lost the Solomon Islands to China. Now, there was a debate in 1949 in this country, which I don't remember but which was about who lost China, and it roiled the country, led, perhaps contributed to a terrible war in Vietnam because we felt like we were losing the Global South, not called at the time. So, when these relatively small events cause so much heartburn, then Huawei goes to Brazil, we warn Brazil of consequences if it embraces Huawei. In the '90s, perhaps we could have gotten away with it. And that's why the structure is important because we may not be saying that we are unipolar, but I think the structure gives freedoms to a great power like the United States. The structure of the '90s may have allowed this to happen. The structure of today doesn't. In fact, it has a counterproductive effect. Countries like Brazil or Malaysia, which is the latest Huawei case where we have warned it of national security implications when it opened its bidding, it creates a sense in the Global South that while they're friends with the United States, they have very strong goodwill towards the United States, we don't have any adversaries as such in the Global South, nevertheless, it feels from their perspective that we are coming to town overly anxious about their relations with a

third country. Because they don't see the world in terms of whether they are with the US or China. They see the world in terms of whether they want to catch up and rise.

Ravi Agrawal ([56:55](#)):

So, let me just quickly push you on this, because agreed that maybe what you're describing as a tonal issue, but say, on Huawei, maybe if there are national security concerns for Malaysia, which they're being made aware of, isn't that useful for them to be made aware of that?

Sarang Shidore ([57:15](#)):

Well, objectively, maybe you could do an analysis as to which state is doing what surveillance, where and so forth. What I'm trying to talk about is how we win friends and influence people, because that's a different thing. When you go to a country, and these are all proud sovereign countries, and tell them that they don't understand what their national security calculus is and we can tell them what it is, nobody's going to say anything back in a negative way directly because we are the United States, and they actually, again, I said they are friends with us. But the message it sends is that we don't recognize their agency adequately. Take Indonesia. Indonesia decided to limit exports of raw lithium and bring in value-added downstream industries in-country. Now, we haven't taken them to the WTO, but the Europeans have, and I'm not sure we are super thrilled about it. The Chinese have said, "Okay, we'll work with you. We'll come in and build those plants that will add value to your raw lithium." So, recognizing agency, working with local conditions, adapting to them is something we still have to learn. We are still uncomfortable with it.

Ravi Agrawal ([58:37](#)):

So, we have to bring in Nisha here.

Nisha Biswal ([58:38](#)):

I was going to say I'm itching to get into this.

Ravi Agrawal ([58:38](#)):

I mean you ran US IBC, you're itching. Jump in.

Nisha Biswal ([58:42](#)):

So, yeah, I certainly have seen this from a multiple different perspectives from my time at USAID, from my time at State and now, currently at DFC. What I would say is countries actually have been coming to us for quite a long time. When they don't have a choice, they end up having to accept terms that they cannot negotiate their own self-interest. When there are competitive alternatives, they can make choices about what financing from what source helps them meet their needs and negotiate best outcomes for themselves. That's the approach we've taken, is that we want to make sure that we offer competitive financing that meets their needs

and brings that value addition that they're looking for. But I also think that this is not a choice that we're forcing upon them. I think that there is a dissatisfaction in many corners about what the impact of what they have received from other financing around the world and from our competitors, whether that has, in fact, yielded the impact that they had sought, whether it has been done in ways that are transparent. There are many projects where you have infrastructure that doesn't, in fact, create the economic impact because it was not done with an economic lens in play. It does not connect to the private sector and yield the benefits to the economy, the job creation, et cetera. And so, what we've tried to do is actually not only provide alternatives and choices, but also force a raising of standards from what our competitors may offer. I think that that's a race to the top. Whereas previously when there weren't the same amount of options, it left countries feeling like they had no choice. And then that choice became one that was not only an economic lever, but then a political lever. And what we're trying to do now is make sure that countries are able to act in their own interest and ensure that wherever they turn, that they know what they can perhaps command in terms of value addition and impact and interest on their side.

Ravi Agrawal ([01:01:24](#)):

Sarang, you want to jump in?

Sarang Shidore ([01:01:25](#)):

A quick one. There are problems with some Chinese infrastructure. In Africa, some of the rail lines are not working so well after they have been built. A lot of it is due to in-country maintenance as well.

Ravi Agrawal ([01:01:38](#)):

But there's also debt trap diplomacy. There's the port in Hambantota. There's so many that-

Nisha Biswal ([01:01:44](#)):

Non-transparency.

Sarang Shidore ([01:01:44](#)):

Coming to that. Yeah, coming to that.

Nisha Biswal ([01:01:44](#)):

Non-inclusion of local communities.

Sarang Shidore ([01:01:46](#)):

Right. But the problem is there's a lot of infrastructure that's working. The Bandung-Jakarta high-speed rail was just inaugurated. There are other rails being built across Southeast Asia. The problem is we don't have a lot of infrastructure projects that we have delivered in the first

place. I mean, we all remember, I think, the Asia-Africa Growth Corridor. We remember the Blue Dot Network, or maybe we don't. And the reason we may not remember it is because it didn't happen. Now, we have IMEC, India-Middle East-Europe Corridor. We have Lobito. We have others. We have the Quad. How many projects can people touch and see in their horizons in the Global South that fill their horizons and they say, "Oh, this was made by the Quad, or this was made by the Blue Dot Network"? Not many. So, the problem is delivery is well behind. I mean, I'm saying this in the best with the... Again, DFC is doing a lot now in that direction, so all credit to it. But the United States as a whole, we haven't played that game well enough for sure.

Nisha Biswal ([01:03:01](#)):

Can I? I'm sorry.

Ravi Agrawal ([01:03:02](#)):

Please. No, no, no. This is great.

Nisha Biswal ([01:03:04](#)):

I think you raise an interesting point. Post-World War II with the Marshall Plan, we did a massive effort on infrastructure to rebuild war-torn societies in Europe and in Asia. We had not post-Cold War really had a massive infrastructure focus. I will say DFC, in the four years since its inception, we've brought on and announced a extraordinary number of infrastructure projects around the world, whether you're talking about ports in Ecuador, in Sri Lanka where Scott Nathan, our CEO, was just yesterday announcing a major container port in Sri Lanka, in Greece, a graphite mining project in Mozambique that we just announced this year, whether it's two solar manufacturing facilities in India, toll roads in Columbia that I had the opportunity on my trip two weeks ago to be able to see, we are putting infrastructure finance out there at a rapid clip. Do I have projects that I can go to and point to? Not as many because infrastructure has a bit of a tail in terms of how long it takes to complete. But yeah, we are doing that and we're doing that in ways that, again, are very based in the community, the country, the economy, and making sure that it's commercially viable. And I think you're going to see more and more of that, but there was a gap for a number of years where we weren't in the infrastructure game.

Ravi Agrawal ([01:04:57](#)):

So, Nisha, if I can push you a little bit here, I think we're all in agreement here that we wished you had a lot more funding and a lot more power in your role. But stepping outside of infrastructure for a minute, I think one persistent critique that emerges from countries in the Global South is that as US-China competition intensifies, the world order seems to be defined by this competition, and that countries that are in the Global South that actually have huge trade relationships with both America and China, they often feel like the more this intensifies, the more they have to pick a side.

Nisha Biswal ([01:05:40](#)):

I understand that perception. Our approach has never been to force choices, but to say, establish standards, establish rules of the game, and make sure that everyone is playing by those rules. So, the extent to which, if there is a... I forget what the number is.

Nisha Biswal ([01:06:02](#)):

I forget what the number is, \$1.3 trillion gap in infrastructure finance, et cetera. Obviously all sources of financing are needed. We were at the UN General Assembly a few weeks ago and the conversation there was the need to be able to leverage public financing to help countries meet the sustainable development goals because public sector financing by itself is not going to do it. So the need for financing around the world is massive. Public financing and private financing. Our focus has been on trying to leverage and harness and de-risk the private capital that can help meet those needs, to make sure that there is transparency in the ways in which that is done, that we are trying to align with and create best practices and standards that everyone will meet. So I don't know that it has to be a competition or a us or them kind of a framing of it. I think it has to be more about making sure that we are driving up the standards rather than pushing down. And that's what we've been trying to do.

Ravi Agrawal ([01:07:29](#)):

Right, and it is hard to argue with that. I'll just point out that again, oftentimes in DC when you hear phrases like decoupling, when you frame the world as democracies versus autocracies, I think that again, the sentiment in the global south is, "Where do we fit into this?" But Sarang, what would you change in all of this?

Sarang Shidore ([01:07:49](#)):

Yeah, so just to pick up on two points, and I'll segue into what you're asking me. There's a vacuum and we are trying to fill it with something else here, and I think there's a problem. The vacuum is that the US used to be the leading trading nation. We used to go to countries and say, "Let's trade, let's make it easier to trade and let's find win-wins." And we did it well in many cases, of course there were excesses, the IMF World Bank's record in the eighties and nineties with SAPs and so forth is atrocious, but broadly the spirit of American entrepreneurship and opportunity was infectious. What we have now is, we are anxious. We walk away from trade agreements. We walk away from market taxes. Look at what happens when global south countries come together in a room when the US is not present. And ASEAN came into the room with Asian countries, they initiated the RCEP. It's the world's biggest trade agreement with market access. African countries have come together and initiated African continental free trade area. Again, the US is not in the room. Ecuador has signed the FTA with China. Uruguay wanted to sign an FTA with China. There was regional politics that came in the way. So these are not fabulously wealthy countries. These are not Germanys or Japans. These are middle income or poorer countries., Even like Vietnam saying, let's do this. We are going to protect our interests. We are going to do industrial policy, but let's also do trade integration. And I know that Nisha Biswal will probably agree with me here, but I think we have to amplify this message, all

of us in this boat that we can't keep being the only ones in the room, maybe with the Europeans saying, "Let's build these walls," and expect us to grow our influence in the process.

Nisha Biswal ([01:09:39](#)):

Yeah, I don't disagree with what he said. I do think that we need to renew the conversation on trade in our own country and with our partners. It doesn't mean that we are not still the most important trading partner for most of the countries. We are the number one trading partner for most of our partners around the world. The American market is a massive market and the American economy drives a lot of that global trade. But we could be looking at how do we modernize that and how do we upgrade and update that? And that is something that I think I'm sure you'll be able to pursue in your conversation with other guests later on in the program. Certainly my prior job at the US Chamber, this was a priority area of engagement.

Ravi Agrawal ([01:10:41](#)):

So I feel like one of the phrases of the year, which comes from Jake Sullivan, was small yard high fences. I think the area we'll agree on now is small yard, small fences. We'll have to leave it there because we've gone a little bit over. But Nisha Biswal, Sarang Shidore, thank you so much for your time.

Sarang Shidore ([01:10:59](#)):

Thank you.

Nisha Biswal ([01:10:59](#)):

It was a pleasure.

Session Four – Competition & Cooperation: Views from Congress

Now please welcome to the stage Senator Chris Van Hollen and Congressman Adam Smith for a review from Congress with FP's Executive Editor, Amelia Lester.

Amelia Lester ([01:11:28](#)):

Good morning everyone. Thank you for joining us here today, and thank you in particular to Senator Van Hollen and Representative Smith for making time out of their always busy days to be here. This panel is called The View from Congress, and I thought I'd begin by quoting an article that we at Foreign Policy published earlier this year. It was called How Everyone in Washington became a China Hawk, and it begins: In Washington. The so-called Doves who long championed engagement with China have been completely sidelined. Policymakers and lawmakers across the increasingly wide political spectrum have coalesced into a consensus. It's time to get tough on China, whatever that means in practice. So given that this does seem to be one rare area of bipartisan agreement, it's all the more important I think to dig into why this consensus has taken hold in Congress and where we go next. Senator Van Hollen, I want to

ask you first, as a member of the Senate Foreign Relations Committee, for your big picture view on this relationship. Anytime there's an official visit to China, we hear howls of protest from your colleagues across the aisle. It can't be a coincidence that Secretary of State, Anthony Blinken has only gone to China once. I read that John Kerry went five times and that Secretary Clinton went 11. So when you had these loud voices in Congress criticizing any kind of engagement, how do you pull back from that and work to construct a more positive dialogue?

Sen. Van Hollen ([01:13:00](#)):

Well, first of all, it's great to be with you. It's great to be with my friend Adam here. Thank all of you for joining us. Look, I think there's no doubt that China under President Xi has become much more aggressive, both militarily, politically and also in terms of an economic strategy that includes economic coercion. So yes, to your question, I think there's broad bipartisan agreement that we need to be much more focused on how we deal with this strategic competition. That said, those who say we shouldn't be talking to China, we shouldn't be traveling to China, are taking the wrong path. And the Biden administration, in my view, has taken the right combination of approaches. One, be tough in one sense, they are doing that, but also make sure that we keep talking. I mean, Secretary Yellen has been over, Secretary Raimondo has been over, the President will meet in mid month in San Francisco at the APEC Conference with President Xi. That's an opportunity to say, let's keep open the lines of communication. One of the things we've been trying to do to reduce the risk of unintended consequences is to reopen that military to military cooperation. So there are steps we need to be taking now, both to continue to work with our allies in the region on this, but also to keep open lines of communication. I will just say before I turn it back over to you, that the most important thing in my view that we do now, on a bipartisan basis in Congress, is to support military assistance for Ukraine. Because if we don't support military assistance for Ukraine, it will send a very bad message, not just to our friends and partners in Ukraine, not just to the NATO alliance, but to our partners in East Asia, Japan, South Korea, others, and a very bad signal to Xi, who has one eye on Taiwan and another eye on how we are responding in Ukraine.

Amelia Lester ([01:15:09](#)):

Well, thanks for reminding us about the rest of the world here and the fact that there are a number of wars going on a number of fronts everywhere. And Representative Smith, I wonder if I could bring you in here on this point because I think it's safe to say that we're in a time of unprecedented global volatility right now. The US has allies fighting wars, as Senator Van Hollen's reminded us, in multiple places. You supported the establishment of the Select Committee on Strategic Competition between the United States and the Chinese Communist Party. Not everyone's happy about this emphasis on China given that there is so much else going on in the world. For instance, the Quincy Institute who is co-hosting this event today was part of an open letter in 2021 that warned about a growing cold war mentality driving the US response to China. Mike Gallagher, who is the chair of the select committee, said in January, this is an existential struggle over what life will look like in the 21st century and the most fundamental freedoms are at stake. Is China Congress's number one priority? Should it be

Congress's number one priority when there's so much else going on? And do you agree that this is an existential struggle?

Rep. Adam Smith ([01:16:24](#)):

There's a lot to unpack there, and let me be clear-

Amelia Lester ([01:16:26](#)):

Solve the world's problems in three minutes.

Rep. Adam Smith ([01:16:29](#)):

I'll do my best. No, I don't agree that it's an existential threat. And I do agree that we are overemphasizing a lot of different threats. We've got a very complex picture. I think Chris did a great job of laying out how we should be looking at the world. We need to pay attention to China. I mean, it's really important to have the committee that we have to focus that. They are our major competitor in the world. They are playing everywhere in the world, not just in Asia. And figuring out how we address that relationship is important because as your panel has pointed out this morning from the mid nineties forward, we had an engagement policy and there's a widespread feeling that we need to adjust that. So we need to figure out what that is. So absolutely we have to pay attention to China. But what I'm really worried about, and if you watch the presidential debate last night on the Republican side, they seem to have a very simple foreign policy, strength, strength, strength, strength. Basically if we have an adversary in the world, what we need to do is punch them in the face repeatedly at every opportunity and that's what's going to help us. And I am troubled by that way of looking at the world. It is important to have a deterrent capability. I've been the chairman of the Armed Services Committee, on the armed service... I'm all in favor of that, but you also have to be able to engage with your adversaries. And when you start throwing around things like existential threat and you have to be strong and you have to stand up to them. This is not World War II, okay? We hear all these analogies about what we did with Germany and Japan. What we did with Germany and Japan is we said, let's go, basically. It's you or us. I don't want that. Nobody should want that for Iran or China. So all this overheated rhetoric about how you can't even talk to China because that just shows you are weak is really troubling. We need to engage in a smart, intelligent way and be competitive against that threat. And the last point I want to make is just to foot stomp what Chris said about Ukraine. It is just ridiculous the way you have people saying we have to focus on China but not Ukraine. Now look, if you want to look at the world and say that the US can't be the world's policemen, if you want to call it isolationism, whatever it is, if you want to look at the world and say we shouldn't be engaged, so why are we spending all this money on Ukraine? But if you say that and then say, but we really, really have to pay attention to China, then well, the phrase that occurs to me is then you're an idiot, is what occurs to me. Okay? And you pick one lane, and please understand why the Republicans are reluctant to fund Ukraine. There is one and only one reason, and he had a rally in Florida yesterday, okay? Donald Trump decided that he didn't like Ukraine. If Donald Trump had decided that he liked Ukraine, Republican party would be perfectly fine with everything. And now they're making

up all kinds of creative reasons for why we shouldn't help them. But again, if you take this global view that China is a threat, then you can't let Russia take Ukraine. You just can't let that happen. So we need a consistent position, understand the threats, but let's not freak out about it and act like it's World War II. It's not. We have to engage intelligently with these adversaries to meet our interests, but also keep the peace in the world, and it's a complicated thing to do, and it involves more than just quote, being strong, end quote.

Amelia Lester ([01:19:44](#)):

Yeah. I think I have to push back a little bit on that because some US allies have voiced concerns about the US and President Biden's approach to China. You have French President Emmanuel Macron, for instance, when he was heading back home from a visit to China in April saying, "The worst thing would be to think that we Europeans must become followers on this topic and take our cue from the US agenda and a Chinese overreaction." I don't think he was talking about Donald Trump there. I think he was talking about the status quo with the Biden administration. Does it worry you when you hear allies talk like that?

Bob Davis ([01:20:20](#)):

A little bit, but there's kind of like two different things. Maybe I didn't explain myself clearly here. Yeah, there's plenty of room to disagree on China. I'm just saying that if you wish to be globally engaged and try to meet the threat, to act like we don't need to worry about China, we don't need to worry about Russia and Ukraine, that's what doesn't make sense to me. I mean, certainly our allies can have a robust criticism of how we approach China, and I hope we'll work together with them. I think we'll hopefully benefit from the strength of some of their wisdom and hopefully they benefit from ours and we work together as opposed to... Some of your earlier panels were making this point, we can't dictate this. We've got a lot of allies in the partners in the world that are crucial to what we're trying to do. We have to work with them as well.

Amelia Lester ([01:21:04](#)):

Yeah. This summer you went on a CODEL, I understand, to Taiwan, Japan and the Philippines. What did you hear from those allies? Do they feel they can trust the United States when, to your point, there's going to be another presidential election next year. Who knows what will happen then? How can the US seek to reassure those allies in that very fraught region?

Bob Davis ([01:21:24](#)):

Well, The biggest takeaway from my trip is those allies are really worried about China. They're worried about how aggressive China has become, the economic coercion, the ways they want to push. They're looking for friends, they're looking for partners to help them be able to hedge against Chinese bullying in the region. Okay, so that is the biggest takeaway. Look, we're all kind of hung up on this notion that can you really work with the US Because the US doesn't always succeed. Well, welcome to the world. Whenever anybody asks the question to me, can you trust..? My answer before they even get to wherever they're going is no. Okay. Past a certain point, I don't trust anybody. It's just the nature of the world. Everyone's got their interests.

You're balancing that. Can those partners and allies believe that the US is a crucial part of meeting their needs? 100%, no doubt.

Amelia Lester ([01:22:15](#)):

Senator, let's spend a bit more time on the question of allies. In late October, president Biden had to warn China not to attack the Philippines. This was after Beijing had initiated a series of dangerous maritime incidents that had escalated tensions in the South China Sea. And I think this really exposed the fundamental tension that we have in this administration's emphasis on developing allies, because I think it's safe to say that this administration has made that a priority, especially in the Indo-Pacific. And the tension is that you have these vulnerable allies like the Philippines who need reassurance, and then you have these adversaries who are going to seek to test out those alliances like China just did with the Philippines. How do you think about balancing those competing interests and what more do you want to see done to shore up alliances in that part of the world?

Sen. Van Hollen ([01:23:05](#)):

Well, I think our alliances are a critical part of our overall approach. That's true in Europe with NATO and our EU partners, and it's very true in the Indo-Pacific region, starting with very core partnerships that the United States has helped to bring together and strengthen. Japan, South Korea, the United States, the Camp David meetings, but also other efforts throughout that region, the Indo-Pacific region, to reassure allies or partners that the United States will help support their efforts, both economically, and I know your previous panel had a long discussion about different instruments and tools we're trying to use to do that, but also to help support their maritime security, for example. One of the things the Philippines and others are experiencing, I was in Vietnam earlier this year, Indonesia, are China's violations of their EEZ, both in terms of their fisheries as well as other encroachments. So United States is working to try to say we will help support your efforts to protect your EEZs. We are for a free and open Indo-Pacific. And I think that lots of tools are at play to do that. Some of them are military cooperation. Other things are things like the IPEF framework that we're trying to lay out. There are other initiatives we're engaged in as well, including the global partnership on infrastructure. So I think all of these are important tools. None of them are perfect. We need to improve them and sharpen them, in my view, especially the economic tools that we've got. But it is, as we've said, a balance. But I think as a lot of our partners in the countries in the Indo-Pacific are concerned about the more assertive actions of President Xi, we can play an important role in the ways I talked about.

Amelia Lester ([01:25:05](#)):

Representative Smith, bringing it back to that question of Taiwan, you're of the belief that strengthening US military capabilities and modernizing forces can increase deterrence, but how do we prevent that arms race from becoming another cold war?

Sen. Adam Smith ([01:25:21](#)):

Well, this is the theory of deterrence. The way you prevent it is you make it clear that the cost of trying to invade Taiwan is too high so the president Xi doesn't want to do it. I think he's been very, very clear that he would love to pull Taiwan back into China, and if he thinks he can do it without a high cost, it is considerably more likely that he will. So working with partners and allies in the region, better arming Taiwan to defend itself is a way to deter that from happening, and that's what we're trying to do. And then the partners and allies are crucial to that, and that's why Japan, the Philippines and South Korea, those partnerships are being built. And this is an incredible strength of President Biden, if I may be supportive for a moment. He has built those relationships and really prioritized that in a way that is enormously helpful to accomplishing that goal.

Amelia Lester ([01:26:10](#)):

We're going to move on because you have a vote to get to. I did want to spend a minute on the clean energy transition and the trade-offs that we're involved in pursuing an aggressive industrial policy when we're also trying to bring down the global temperature, both literally and metaphorically. Studies have shown that trade barriers between the United States and China are throwing a wrench in the innovation process. They stifle competition, and that's at a very time that we need innovation to make efficient forms of existing green technologies and to nurture nascent ones. I know this is something that you are particularly worried about, Senator and climate cooperation, I think it's safe to say, has taken a backseat under this administration. The Obama administration was very occupied with it, that led to its reluctance to get tougher on China in other areas. Do you think the Biden administration would be willing to give up some of its hard measures like chip sanctions for climate progress? And if not, and I have to say that does seem pretty unlikely, what can the US do to move this issue forward?

Sen. Van Hollen ([01:27:07](#)):

Well, you mentioned that former Secretary Kerry in his new capacity had been there. You mentioned that's when he was secretary. He's also been there many times as our climate czar. So the United States is looking for opportunities to continue to cooperate with China on climate. That said, and this is a very long conversation in terms of our economic strategy with respect to China, there are folks on Capitol Hill on the Republican side that call for decoupling. I don't think most of us, and certainly not the Biden administration support decoupling. I think the comment President Macron made actually was in response to calls for decoupling. But the EU, including France, I think now is on the same page and the United States that what we want to do is de-risk, which gets to your issue. Look, we want to make sure that we're strong at home. That begins by passing things like the Chips and Science Act. That was really important. And we need to not only do the chips part, but follow through on the AI and quantum computing. It means being strong at home by passing the inflation reduction Act, which is really important for clean energy transition. So we have to start by being strong at home. In terms of overseas and our relationship with China, we do want to de-risk. We are very over-reliant in some key sectors on China. That's why we're working on semiconductors. That's why we're also working on the critical minerals strategy. As you know, we are about 10 years behind when it comes to processing critical minerals. We do not want to be caught the way the Europeans were caught,

dependent on Russian oil and gas. We don't want to be dependent on China for all of our electric batteries. So I think it just makes common sense to de-risk our supply chains. That is very different than decoupling.

With respect to the other half of it, we do want to make sure that we don't export to China our most advanced technologies, whether that's in semiconductors, whether it's in AI. And I support the Biden administration's approach, it's twofold. One is export controls of very high-end items. As you know, Japan, the United States and the Netherlands work to prevent the export of very high end equipment for manufacturing, very advanced semiconductors. I support that. The other is the outbound CFIUS provision. Again, investments, but investments in areas that advance China's military capabilities. It was mentioned at the end of the last panel, what the administration has said is small garden, small yard, big walls. They're not trying to wall us off from China's economy. That's both impractical and would not make sense, but in this narrow area of very advanced technologies that could help advance China's military capabilities. I agree with them that it makes sense to try to contain that. It's hard, it's imperfect, but we need our allies to do it, and we are trying to engage their support, as you've seen at both the G7 recent summits.

Amelia Lester ([01:30:27](#)):

Yeah, I think it's pretty much impossible at this point to wall off. I think an earlier panelist mentioned that China has a 30 year lead on critical minerals. I think that China has 50% of rare earths and 80% of rare earth's production capacity. So I don't think we can wall off even if we wanted to, but there are those trade-offs. And Representative Smith, if I can bring you in here, the senator mentioned the Chips Act for instance, which of course is boosting the American semiconductor industry at great expense. But there are critics and they say that this may induce China to invest more in its own semiconductor industry, for instance. And there are trade-offs to not working together on the biggest existential, to use that word, again, issue of our time, which is climate change. So how do you see those trade-offs?

Rep. Adam Smith ([01:31:11](#)):

Yeah, I see it almost exactly like Chris just described, and I think that's a straightforward way of thinking about. The only thing I would add is you have to realize that from about the mid nineties until a few years ago, China was, as I like to put it, the global easy button for the corporate world. It's where everything went for a variety of different reasons. I mean, that was problematic even then, and certainly given the competition that we see now with China and what they're doing in the world that Chris described, it's really problematic. So we need to become less dependent upon that. We need to begin to do better domestically. That's the purpose of the Chips Act and the Inflation Reduction Act. Crucial part of it that people need to understand, it's a partnership. It's not just, okay, we're bringing everything back to the US. I mean, that just wouldn't work because a variety of different reasons. One of the big ones is we need the rest of the world on our side as some of your earlier panels discussed. I mean the global south major player in all of this, and they need economic opportunity. So if we say we're bringing it all back to the US and to heck with the rest of you, we're going to be in trouble. We're not going to have

the allies and partners we need, but second, we're not going to be as capable because there are a lot of other countries in the world. This isn't 1948, okay? There are a lot of other countries in the world that have great capabilities in a variety of different areas. I was in Australia as part of that trip. They can do quite a bit on rare earths and help us with that. So look at it as the friend shoring. I'm not fond of that phrase but it explains it, that we work in partnership to better balance it. And then finally, the point that you have made and Chris has made, but it's not, we're cutting off China. China and the US are going to be the two largest economies in the world. I don't know, 50 years, a hundred years, maybe longer. We have to figure out how to rebalance what had happened over the course of those 20 years while still maintaining some opportunities for partnerships with China, which is why I freak out when other members start talking about China is the enemy. China is an existential threat. We must bring down China. That's not the way the world's going to work. It's more complicated than that.

Amelia Lester ([01:33:20](#)):

Okay. We're going to end with a rapid fire question for both of you. Representative Smith, is the US on the back foot in the Indo-Pacific? I know everyone was caught off guard when China and the Solomon Islands earlier this year signed a security pact.

Rep. Adam Smith ([01:33:36](#)):

Yeah, no, I don't really agree with that. I mean, I love the phrase of the military, the enemy gets a vote, which is like... No, we're abundantly aware that China's having conversations just like this, not publicly, of course, in terms of how they're going to compete with us. And we've known they're out there and they're working, they're building relationships, they got a ton of money. And I agree with one of your earlier panelists that said, we freaked out way too much about the whole Solomon Islands thing. They're going to be out there. They're going to be working, and we're going to have to try and balance that. Again, coming back to that central point, it's not like we're going to defeat them, and they're never going to be able to do anything in the world. A, that's not possible. B, it's not even desirable. When you look at the problems we face, one of the largest economies in the world can be a positive part of that. So it's more balanced than that in my view.

Amelia Lester ([01:34:25](#)):

Senator, President Xi and President Biden are going to meet for the first time since 2017 in the US on the sidelines of APEC next week in San Francisco. If you were President Biden, what would you say to Xi?

Sen. Van Hollen ([01:34:40](#)):

Well, I would start by raising the concerns that the President has raised publicly about some of China's actions in the Indo-Pacific, but also indicate that we want to continue to find areas of cooperation. We are not calling for decoupling, and then look for those opportunities. Obviously, one of the things we want to do, it's not a huge measure, but we would like to resume these military to military communications to avoid unintended-

Amelia Lester ([01:35:13](#)):

Spy balloons.

Sen. Van Hollen ([01:35:14](#)):

... Spy balloons. I'm sure he will raise the fact that we have some Americans citizens who are, right now, wrongfully detained in China. I hope he will ask China to work with us to prevent escalation in the Middle East. So I think there are a number of practical near term things that we can work on. Over the longer term, I think the message is really the one that Adam and I sense from your questions that you're communicating, which is that we understand that we are competitors, but we also recognize that we are intertwined in terms of our economies overall, that we are not trying to decouple. We do want to de-risk and raise the concerns we have. And I would just say, to add on to Adam's response to your earlier question, I do think that the building of partnerships and alliances in the Indo-Pacific is important. I mean, we haven't talked about Aukus, we haven't talked about Quad. We have lots of working partnerships with the Pacific Island countries. And I will say this though, and I think the president gets this, we can't go around the global south or around the world saying, don't participate in Belt and Road. That's not a winning strategy. A winning strategy is to say, "Hey, we can offer something better. We can offer a rules-based, transparent approach to building your economies." That is what the partnership for Global Infrastructure is about. We need to make sure it's resourced with our partners. But it is absolutely true that Belt and Road does end up with countries in debt traps. I mean, Sri Lanka was mentioned earlier. We need to make that point, but then we have to have something else to really engage. And on that piece, I do think that we are a little behind the curve in the Pacific and being able to actually put meat and resources behind the ideas that we're proposing, whether it's IPAF, whether it's critical mineral partnerships, whatever it may be, we need to better resource those and we need to improve our tools, DFC, XM, US trade development agencies and better coordinate that for those purposes.

Amelia Lester ([01:37:36](#)):

Senator Van Hollen, Representative Smith, thank you for joining us today.

Rep. Adam Smith ([01:37:43](#)):

Thank you.

Sen. Van Hollen ([01:37:43](#)):

All right, thank you.

Session Five – Imagining the Unimaginable: War with China

Please welcome to the stage American Enterprise Institute Senior Fellow Dr. Zack Cooper and Defense Priorities Director for Asia Engagement Dr. Lyle Goldstein for a conversation with FP national security and intelligence reporter Amy MacKinnon on a war with China.

Amy McKinnon ([01:38:23](#)):

Well, thank you everybody, and welcome to East Meets West. I did not deliberately coordinate with our background, but I'm happy to be flying the FP flag today as one of our staff reporters. I'm delighted to be joined by Lyle and Zach who are going to talk us through Imagining The Unimaginable, War With China. And I want to start with that because I think that imagining the unimaginable is something that's actually very hard to do. I mean, it's something you hear a lot about in intelligence failures is a failure of imagination. We saw this with the war in Ukraine. US policymakers were jumping up and down here in Washington, going to Europe... US policymakers were jumping up and down here in Washington, going to Europe, warning about Russia's intentions, what Russia was about to do, and plenty in Europe and even in Kiev didn't believe it until it happened. So I want to start there with kind of a bit of a gruesome exercise of imagination. Lyle, with you, what would a war with China actually look like? Imagine that China tries to retake Taiwan by force. The US comes to Taiwan's aid. Just so that we can kind of get the sense of the stakes of what we're actually talking about here today, what does that scenario look like?

Lyle Goldstein ([01:39:39](#)):

Yeah. Thanks very much for having me. Thanks to the organizers. It's a very dark question to start with, but I guess that is our subject today for this discussion. I'll just say that, it's not just dark, it's incredibly dark, folks. If this comes to war with China, I believe this could make what's going on in Ukraine or in Gaza look like small brush fires. It could be that intense. I think that US losses would probably be huge. I think-

Amy McKinnon ([01:40:17](#)):

How huge are we talking?

Lyle Goldstein ([01:40:18](#)):

Well, if you looked at the 2023 CSIS Report of First Battle, which I think is very well done, although it has, I think, some great flaws, it points out that most iterations show that you have hundreds of US aircraft lost and dozens of US warships. That doesn't include allied losses. Let me put it to you this way. I worked for the Navy for 20 years, so it's particularly hard, but they say that in almost every iteration and they iterated it, I think, two dozen times, you lose one to two carriers in the first few weeks. So come to grips with that. And by the way, I actually, having reviewed their report extremely carefully, I think they have understated the likely and even

possible losses. I think the worst case scenario could be very bad, folks. And I haven't even mentioned the possibility of nuclear escalation, which is there.

Amy McKinnon ([01:41:25](#)):

And just for those who aren't familiar, when you say losing two carriers, kind of personnel numbers on those carriers, what are we talking about?

Lyle Goldstein ([01:41:32](#)):

Yeah. I mean, about 5,000 young Americans on those ships. And then you have the escorts, of course. So this is devastating. I mean, a scenario that keeps me up at night is the idea that one of these is damaged to grievously and out there floating and now we have to save it. And the Chinese Navy knows very well that we have to save it. And that's a situation where you lose half your Navy in a day, folks. So the dangers are there. Nobody knows who would emerge victorious here. And that's a change, by the way. I was asked yesterday by a reporter, how is the situation different than EP-3 back in 2001? It's completely different because China is much, much stronger. Back then, we knew that the US would emerge victorious from whatever happened. That's just not true today.

Amy McKinnon ([01:42:22](#)):

That's very sobering. Thank you for that overview. Zack, I understand that you, a little bit break from the herd maybe in Washington in that you feel that a war with China is maybe slightly less likely than others would assume. Why is that?

Dr. Zack Cooper ([01:42:44](#)):

Look, I'm not saying it won't happen. I'm just saying, I think we've had a little bit of a panic about a conflict happening in maybe the next couple of years, that's been driven by a lot of talk about 2027, which wasn't actually informed by a lot of very careful analysis. And so I think if you look at what we're going to have to do with the next few years, of course, it's going to be challenging. I'm not saying otherwise. And I think next year is particularly difficult, where we have an election, January 13th, in Taiwan. I think the Chinese reaction both before and after that election is going to be escalatory and something we have to pay a lot of attention to. We have an election here where we're going to see some heightened rhetoric, we already do. But I think at the end of the day, everything we are doing has to be focused on avoiding the scenario that Lyle's talking about. And actually, when you look at everything that the Biden team is doing, some stuff that Trump team did, we're seeing a lot of action from the United States to try and bolster deterrence and to work with allies and partners to bolster deterrence. And so I'm not saying a conflict won't happen, I'm just saying that I think we have to accelerate those efforts, but we should also be confident that we are making a lot of progress. You look at the changes that you've seen in just the last year on US defense posture in Asia. We have a much more robust posture that will come online in the next three to five years, than we had just a few years ago. So there's a lot we need to do to prepare ourselves and to better deter, but I don't think we should give into this

idea yet that a conflict is inevitable. I think deterrence is holding now, and our job is to make sure that deterrence holds into the future.

Amy McKinnon ([01:44:27](#)):

So I want to stay with that theme of deterrence. It's a line that the US has toed very carefully for decades now with China, right? Trying to persuade Beijing that it will not win in an attempt to take Taiwan, but also reassurance, right? Respecting and being very cautious around China's particular sensitivities. How do you rate on these two spheres, how Washington is doing right now on deterrence, but also on the reassurance portion?

Dr. Zack Cooper ([01:44:55](#)):

Look, I think on the deterrent side, as I said, we're doing a lot, still more to be done. But I think the big picture on the deterrence framework is that China is sort of shifting its approach. For years, it focused on anti-access area denial capabilities. Now we're seeing China move towards building more power projection capabilities. And one thing that the Chinese have taught us over recent decades is, actually power projection capabilities are pretty vulnerable to anti-access. And what's the United States doing? It's investing more in the small, more expendable types of systems that could in fact hold Chinese power projection capabilities at risk. So for example, things like in the CSIS war games, if you're trying to cross the Taiwan Strait, you need lots of amphibious ships to get the several hundred thousand troops across the Taiwan Strait that you would need. Those are very vulnerable forces. So I think there's a lot we're doing on the deterrent side that's positive. Now, I know our next panel is going to talk about sort of the way forward, which isn't our job, but Joanna, Bonnie and Rick are going to talk maybe a little bit more optimistically about what we can do on the reassurance side. Look, this is the task. Next week is to see if Joe Biden and Xi Jinping can actually have some one-on-one conversations, and if they can reassure each other about their objectives. I think this is a two-way street, right? Reassurance goes both ways. Xi Jinping needs to reassure Americans and really the president of the United States, that he's not trying to change the status quo. And I think Biden will be trying to make clear that actually the United States also is not trying to change the status quo as regards to Taiwan Strait.

Amy McKinnon ([01:46:32](#)):

So you've both now touched upon this CSIS Report, which came out in January of this year called the First Battle of the Next War. I'm sure many of you in this room are familiar with it, but for those who aren't, it was a war game on what that first opening move of a war with China would look like, that first battle, what that would look like. It was, I understand the first declassify... The first unclassified... First major unclassified war game on that scenario. Lyle, can you just talk us through the report? I know you've studied this in great detail. What did we learn from that? And you mentioned you had some questions about it as well.

Lyle Goldstein ([01:47:10](#)):

Yeah, that's right. Although I would like to say, I'm substantially, I guess, more concerned. I don't think we're making a lot of progress. I think, at bottom, what I'm concerned about is, war is not a rational decision. I think a lot of us in DC, we tend to sort of rack and stack. Well, generally, probably, China would lose a lot of money and lose a lot of people and a lot of prestige, and they just won't do that. I think that's a mistake. If you read the Chinese language press as I do and watch their military reporting as I do every day, you can find, every month, at least, if not every week, sort of this vitriolic language indicating what their objective is. And it's interesting that the American press, at least, basically ignores these warnings. So Americans are unaware of them. But to me, this is a great mistake and we shouldn't underestimate the possibility. Again, war is a totally irrational act. And because Xi fired a few generals does not mean that this is not in the card. So now what do you do about this? We have to be very cautious, very cautious, that's my view. I'll come back to that. But to answer the question, the report, which is very important and I urge everyone to read it and commend the authors, I don't know if they're here in the room, but it really is the highest fidelity look at what this war would look like. To my estimate, they got a lot of things wrong... Sorry, a lot of things right, and a lot of things wrong. Some of the things they got right though were that, yes, surprise, surprise, China can conquer Taiwan relatively easily. I think they said, within six weeks, they expected the Chinese tanks to be rolling around the headquarters in Taiwan. But they rightly pointed out that the Taiwan Air Force and Navy are basically irrelevant because they'll be destroyed in the first few days. I mean, I and my colleagues at Naval War College were saying that for decades. And so, why we persist in focusing on that, I don't know. But the major flaws...

Well, one other thing I would say they're right about, a lot of people have put the focus on the US submarine force, and I have generally agreed with that. That is a critical capability. It's our most survivable capability. We have a very solid submarine force, although it's probably getting too small. But they pointed out that that force is simply inadequate, that you cannot expect that force alone to win the war. So if anybody thinks that's a silver bullet, I think they should read that report carefully. I think they're right about that. Now what did they get wrong? And here, well, look, they took nuclear escalation off the table. And you may ask yourself why they did that or is that really an accurate look. I don't think so. Have nuclear weapons, the nuclear shadows been very important in the Ukraine War? Absolutely, right? And probably they've learned from that too. Why are they building up their nuclear forces? You got it. But the biggest mistake, in my view, comes down to this amphibious warships that Zach here mentioned. I disagree with you, Zach. I think that China has found a way around this, and that is, they will bring their merchant fleet, which is the biggest in the world, their Coast Guard, which is the biggest in the world. They will all go across those 90 miles, which after all is the distance across the Florida Strait, it's basically nothing. So the idea that we would have anything near the munitions to sink tens of thousands of ships that would be involved, I think is a major fallacy in the report. By the way, that report suggested, basically, we have 96 targets. That is they have under a hundred amphibious vessels we have to sink. If we sink 50%, we win, game over. Well, folks, if you believe that, you really don't understand this scenario.

Amy McKinnon ([01:50:51](#)):

Again, very chilling. You mentioned there, the US press really not covering the sabre rattling that's coming from China, this very incendiary rhetoric that you see in the Chinese press. Staying on the question of public opinion, Zach, recent polling has shown that the US public is deeply concerned about China's role in the world, about its increasingly aggressive posture in the world. But if you were the president, if you were Jake Sullivan, how do you explain to the public America's interest in Taiwan, in this region? Why would we potentially put, as you said, thousands of young American lives on the line for Taiwan?

Dr. Zack Cooper ([01:51:38](#)):

Well, I think the hard thing, and this is one area where I think the administration has some work to do, they haven't actually given a big speech on what our approach is on Taiwan. They gave one big speech on China policy. That came from Tony Blinken. I have argued publicly and privately that they should have given a similar speech explaining the logic of their approach on Taiwan. Because what we've got from the president is four statements now saying that he would fight for Taiwan, but not an explanation of why and what the logic is. And look, there's not just one reason. I think there are basically four reasons that people argue that we should think about Taiwan as a serious interest of the United States. And some people are going to agree with some of these four and others won't, right? So the argument that I think some of the Biden team would make is that Taiwan is a democracy, 24 million people. We shouldn't just stand by as democracies are snuffed out. Although, as others will point out, we do stand by sometimes as democracies are snuffed out, so why is Taiwan different? So that's one.

A second thing you hear a lot, and I'm not a huge fan of this argument, is that we get all of our chips from Taiwan, from TSMC, a huge portion, 80% of some of the advanced chips. So if you lose Taiwan, you lose access to all kinds of technology, not just cell phones, but even automobile, the huge reliance in cars, everything else. So second argument is about technology.

I think a third argument is broadly about US-Taiwan economic trade, depending on what you're measuring, something like the 10th largest two-way trade between the US and Taiwan of any economy in the world. So that's a big factor. And then I think the last point is really more strategic, which is that, look, we've got allies in Japan, Korea, the Philippines. They lie along the first island chain in East Asia. And it is much more difficult to imagine defending those allies if you don't have the ability to watch what's going through the choke points in East Asia. So the Luzon Strait, the Miyako Strait, for example, if ships aircraft are just going through those areas and we can't easily monitor them, it's much more difficult to imagine how we defend those alliances. The problem is that, I don't think one of those arguments is strong enough to convince the American people that Taiwan matters. And with different parts of the American public, each one of those arguments carries more weight. And so it's a complicated argument to make, which is maybe why the Biden team hasn't tried to do it yet. But I think they've missed an opportunity to explain the logic of their reasoning.

Amy McKinnon ([01:54:20](#)):

You wanted to jump in?

Lyle Goldstein ([01:54:21](#)):

Yeah. I mean, if you don't mind. I mean, I am very uncomfortable with all those arguments. I don't think they stack up actually. And I think we need to reconsider very carefully. I mean, the stakes are huge, folks. We're beginning to talk very seriously. There was just a great piece in Foreign Policy on the nuclear issue between US and China. Are we really, as we were in the 1950s, ready to go to the brink of nuclear war, probably repeatedly over this issue? I think we ought to be very cautious. But then, even putting that aside, if that doesn't happen, we are going to spend probably trillions of dollars getting ready for this scenario. So we better think about this really hard. I suggest we think about it at the front end, and I have some serious reservations. I do not think, to come to the fourth argument, the strategic argument, which I think just doesn't hold up. And by the way, this was articulated by Dr. Ely Ratner, I think. Again, he had said it first in 2021, but this is kind of an addition in kind of more overt US thinking. He said it was the anchor in our alliances, viewed from China's point of view, the cork in the bottle on Chinese power. So I'm very leery of this. I don't think Taiwan is essential to US defense. To defend our treaty allies, Philippines and Japan, I think that's where we should drill the line. They are actual treaty allies. Taiwan is not. And here's the key, folks. Japan and Philippines can be defended easily and at low cost and without blundering into a war with China. So I think this is a more realistic approach and that is consistent with realism and restraint, which is the way we need to go in our Foreign Policy.

Dr. Zack Cooper ([01:56:06](#)):

So the only thing I'd add is, I'm not as convinced as Lyle that Japan and the Philippines are easy to defend, if China has large formations of troops on Taiwan. You can watch what's going on at Second Thomas Shoal today. I don't think that's been a particularly easy situation to manage, Scarborough Shoal as well. And then if you look at the southwest islands in Japan, you've got Yonaguni Island, for example, which is closer to Taiwan than Taiwan is to Mainland China. So I think the defense challenge is harder. The risks are probably greater. This would just be my assessment. I think a lot of this question comes down also to how confident you are that you can deter a conflict from happening. So if we said, yes, a conflict is definitely going to happen, then absolutely. I think the really hard discussion we would have to have now is, okay, how many American lives are we willing to sacrifice in this conflict? And if you were confident that if you just walked away from Taiwan that actually it wouldn't have much of an effect in the rest of the region or the world, this would be a very different calculus. Now, I come down at a different place on those questions, but I think the point is, we should be debating them. And I'm not sure we've had quite enough debate on some of these issues.

Amy McKinnon ([01:57:25](#)):

Can you just, I'll come back to you in a second, Lyle, but on the question of debate and kind of conversation around this, what's your assessment of what the conversation has been like in Washington around China? There is a, I think almost unanimous agreement that China represents a major strategic challenge for the United States. Disagreement on the extent of that, on the kind of military threat, but also a lot of, how do I put this delicately, on Capitol Hill, there's

a lot of rhetoric. There's a lot of very charged rhetoric around China, and it's become, in some ways, a political football as well, I think it's fair to say. But what's your assessment of that overall picture, and how does it affect policy?

Dr. Zack Cooper ([01:58:11](#)):

People sometimes argue that there's some sort of blob on China policy and there's a consensus opinion. I got to tell you, I don't see any consensus.

Amy McKinnon ([01:58:19](#)):

We're seeing that today between both of you.

Dr. Zack Cooper ([01:58:21](#)):

I think the consensus is that people are worried about China's behavior, especially the last decade. And you can see this in polling data broadly. And oh, by the way, it's not just Americans, it's globally, right? You look at some of the recent Pew polling. I mean, it is quite shocking the change in assessment that we've seen in Europe and Asia and beyond. The next step though would be an agreement on what the strategy should be for responding. And I don't think there's any clear agreement on any type of strategy. I think that's the debate we are starting to have. So my view is, we're at the beginning of this process. Cold War analogies are terrible, but I think we're sort of in the 1946, 1947 stages of the Cold War debate, where we don't really have a strategy yet. We're trying to figure that out. So, yes, some of the rhetoric is charged. It's going to be charged in the presidential election. It's always charged in Congress. That never changes. I think the task now is to say, okay, there's agreement about what our concerns are on China and Xi Jinping and Chinese behavior. Now the next step is, what are we going to do about it? How can we forge a bipartisan consensus around a sustainable strategy?

Amy McKinnon ([01:59:37](#)):

Lyle, you want to just jump in?

Lyle Goldstein ([01:59:38](#)):

Yeah. On the debate, I agree, we're just at the beginning and this debate really has to be had and in places like this. We really better give these a shake before we blunder into a war. I mean, it really does feel like we're in 1912 or 1913 and we're on the edge of a catastrophe. So what I'm advocating is a strategy that we can afford, that doesn't bankrupt us and our children, and also that doesn't put us on the brink of World War III every other week. We need to get away from that. Now, why do I say Japan and Philippines are easy to defend? These are huge archipelagos that stretch for, I mean, are hundreds of islands and whatnot. So in the worst case, dream up your worst case scenario where China invades Japan, we can slowly and deliberately come to their aid and overturn and change the dynamic of the war using all of our strengths. The idea that we have to defend every Philippine shoal, think about that, folks. We're going to

start World War III over a shoal? I mean, does that sound ridiculous to you? It's completely ridiculous. Let's not do it.

With Japan, Japan obsesses about this island, Senkaku Island, Diaoyu Island. It has goats on it. Literally, I'm not kidding. That has been the major issue in the US-Japan alliance, how to defend the island with goats on it. It's ridiculous. We need to rethink this. We need to make our treaty relationships with these countries truly defensive, and that is, we are going to help them defend themselves, but we are not going to defend shoals or islands with goats on them. We're going to draw reasonable lines and do things that are affordable. For example, with Philippines, we're doing a lot with Philippines now. We're showing them all our cool stuff. Awesome. I'd like to see some US infantry go into Philippines. They can sit there on Palawan, in the trenches, and everybody will feel good. China is not going to invade their main islands. They're perfectly safe. Whatever happens to the shoal, it happens. Look, fishermen around the world get pissed off regularly. Where I live in New England, we regularly go at it with the Canadians, and there's actually an island dispute. These fishing disputes happen. We're not going to go to World War III over shoal or sea turtles or something like that.

Dr. Zack Cooper ([02:02:13](#)):

Can I just jump in? So I take the point that, look, if you're dealing with archipelagos, you've got the stopping power of water. And so maybe if the Chinese roll into one island, it doesn't mean they're going to take them all. I'll just say, my worry would be, when you go talk to the Japanese and Filipinos and say, oh, we're just going to let the Chinese take some of your islands. And the Japanese and Filipinos... Well, maybe not with goats on them. I mean, there are Marines at Second Thomas Shoal, right? So when you say that and they come back and say, right, our alliance is backed by nuclear deterrence, what's the red line on the nuclear deterrence? I then worry that that is what walks us into a very serious strategic crisis, where you could talk about nuclear use. So I guess my concern with that approach is, I understand that we've got the stopping power of water. I don't really understand why that applies on the Philippines and Japan, in a way it doesn't apply on Taiwan. If we're very sure that we can fight and defend Japan and the Philippines, why can't we also protect Taiwan in the same way?

Amy McKinnon ([02:03:27](#)):

So we are unfortunately out of time, but I would like to end, I'm going to be really mean and ask you both for one word answer, if you were commander in chief and China would try to retake Taiwan by force, would you go to their aid?

Dr. Zack Cooper ([02:03:44](#)):

Yep.

Lyle Goldstein ([02:03:45](#)):

No.

Amy McKinnon ([02:03:46](#)):

There's the debate.

Dr. Zack Cooper ([02:03:47](#)):

There's the summary.

Amy McKinnon ([02:03:49](#)):

Well, thank you so much. That was chilling. But I think we set up the next panel very well, which is going to look at solutions so that hopefully we don't have to get to this unimaginable scenario, so thank you very much again.

Session Six – The Path Forward: Charting a New Course for U.S.-China Relations

Next, please welcome to the stage the Managing Director of the German Marshall Fund's Indo-Pacific Program, Bonnie Glaser, Provost's Distinguished Associate Professor of Energy and Environment, and Director of the Science, Technology and International Affairs Program at Georgetown University's Edmund A. Walsh School of Foreign Service, Dr. Joanna Lewis, and the Managing Director of Eurasia Group's China practice, Rick Waters, for a conversation with FP's Amelia Lester on Charting a New Course for US-China Relations.

Amelia Lester ([02:04:57](#)):

Hello again. I'm really glad that we have this panel now because I think everyone probably agrees with me that that made for some grim listening. So this is called The Path Forward: Charting a New Course for US-China Relations. And I want to focus it on the idea of how we can better manage this relationship, how we can avoid the scenarios that we heard about in the previous panel. The key question I'm going to be coming back to is, what is realistic and what is attainable for both the US and China? Let's start with you, Rick, and the US-China bilateral relationship. You were in the State Department for 27 years. This summer, you left, you're now at Eurasia Group, and this is a really crucial moment in US-China relations. Biden and Xi are about to meet in San Francisco. I want to know from you, what do you think the US government is thinking right now? There's kind of been this lurching back and forth of late, after three to four years of what seemed like an escalatory spiral. That now seems to have been reined in a little bit in recent months. But what's the through line in that relationship?

Rick Waters ([02:06:04](#)):

Sure. Well, good to see you all. Good to be here and we'll try to be more uplifting than the last panel. Oh, it's good to hear Zack and Lyle. I think, when you look back at the China relationship under the Biden-Harris administration, and again, I don't speak for them anymore, but I think what we've seen is that, the shift to a paradigm of strategic competition in many domains was always going to entail a lot of pressure in the relationship. And I think where there is some convergence, both in Beijing and in Washington, is a shared desire to make sure that where this

competition is occurring, it is happening deliberately. It isn't happening unintentionally. And I think, a year ago in August, with the events surrounding the Speaker Pelosi's visit to Taiwan, I think that that had a little bit of a catalytic effect going into the last summit the leaders had, where they realized that you need to have channels at a senior level that are empowered, so you can at least understand the other side's intentions, because the worst scenario is one in which the other side is simply inventing a caricature of what the other intends. So I have pretty modest expectations for the meeting in San Francisco. I think, really at this point, US-China summitry is no longer about the major lists of deliverables, the building the relationship. I think it's more now about managing a relationship that's in a secular decline, but ensuring that that process of managing a relationship that's increasingly characterized by competition is one that doesn't veer into conflict or spill out of control.

Amelia Lester ([02:07:49](#)):

And maybe the spy balloon incident really highlighted that there does need to be more intentional communication, didn't it?

Rick Waters ([02:07:57](#)):

Yeah. I mean, if you look back at the Bali Summit last year, the leaders agreed on basically two things. One was to reopen senior level channels that were empowered, not big dialogue structures, but people who in the domains they worked on were empowered to speak about their policies clearly with the other. The only other agreement was to set a floor. But I think there was really not much definition to that concept. And then you're right, Bali was a year ago in November, the last in-person meeting, and it took seven months to actually really begin the process of implementing what they had talked about, because of the balloon, because of the politics surrounding it, and because of the challenges politically that both sides have when a disruptive variable prevents them from managing that decline in the relationship.

Amelia Lester ([02:08:47](#)):

Bonnie, there've been some seemingly successful trips since then. I'm thinking of California Governor Gavin Newsom's trip, US Senate Majority Leader Chuck Schumer's trip, and then the top Chinese diplomat, Wang Yi came to Washington. I think people thought that was fairly successful. But it strikes me that that sits oddly with the rhetoric coming from China. We heard this in the previous panel, and officials and state media still do sound pretty variably anti-Western. So what do you think we can realistically expect from this meeting next week? Do you share Rick's fairly modest aspirations for it?

Bonnie Glaser ([02:09:25](#)):

I do share Rick's very modest expectations. China will continue to want to compete on the global stage, especially to continue to get support from the global south, to portray itself as having better intentions than the United States, whether it be in the Middle East or elsewhere in the world. I think that the Chinese believe they have a better form of governance, and they have been pushing that for some time. So just because we are having a summit does not mean that

they are going to set aside those other ambitions that they have on the global stage. And they are seeking to undermine the support for the United States and I think damage US reputation.

That said, there is, as Rick said, interest on both sides in managing the relationship, in preventing it from spiraling out of control. I think both sides, for their own reasons, which are different, have a particular interest, at this time, in getting this stabilization process to stick. China is facing headwinds in their economy. There are other difficulties at home that I think that Xi Jinping is focused on. We, of course, are going into a presidential election year. We will not have a summit next year between US and Chinese leaders. And probably some dialogues will continue, but we will not be focused on this, on the relationship and the way that we are today. So I think there will be some, and I will say outcomes. The word deliverables probably will not be used, but it does look like the Chinese are signaling a willingness to resume the mill mill channels that were suspended when Speaker Pelosi went to Taiwan. And I think that's very important, particularly the operational safety dialogue that we have. And then we will hear Joanna tell us whether there will be a new progress on climate. And I think President Biden is quite keen to make some progress on resuming law enforcement with China, particularly in the counter narcotics area. And this of course pertains to fentanyl. So this is very important to the United States. I think those are some of the things that we may see come out of this meeting.

Amelia Lester ([02:11:57](#)):

Thank you for that list of specifics. That's nice to hear. Joanna, you've been working on clean energy policy for two... Joanna, you've been working on clean energy policy for two decades with a focus on China, and I'm just going to read out the title of your new book, Cooperating for the Climate: Learning from International Partnerships in China's Clean Energy Sector. That sounds great. I want to ask you about how we can potentially look to cooperation on climate for common ground in what are clearly fraught times. You helped build the roadmap for US-China climate cooperation in the Obama era too. You write in your book that the United States and the Soviet Union were able to overcome their differences during the Cold War to eradicate smallpox and that the United States and China should follow suit to preserve a livable planet, which I think we can all agree is an important goal. What does each country need to start doing differently to make that happen?

Dr. Joanna Lewis ([02:12:49](#)):

Well, when it comes to climate change, we really can't address this issue without both the United States and China taking action. We're the largest emitters in the world, and the rest of the world really looks closely at the US-China bilateral relationship when it comes to climate change. In the months leading up to the Paris Agreement, it was really the US-China bilateral relationship and the fact that both countries were able to come forward with their pledges that mobilized global action. We see examples of that happening in the climate space. We've been cooperating with China for decades on clean energy and climate change. It has been one of the more constructive, I think, aspects of the relationship. But...

Amelia Lester ([02:13:33](#)):

It's been happening less, right?

Dr. Joanna Lewis ([02:13:34](#)):

It's been happening less and this is really because the cornerstone of a lot of our climate cooperation, as the book talks about, was really on clean energy technology, accelerating innovation, accelerating deployment. Of course, over the past two decades, China has risen to become the leading manufacturer and deployer of most of the key clean energy technologies that the world needs for the low carbon transition, wind, solar, and now batteries for electric vehicles. This, of course, has created this competitive environment where the United States through the Inflation Reduction Act and other legislation is now trying to rebuild our own clean energy industries, to build our own innovation capacity, which is of course important. But the clean energy supply chains are so reliant on China right now. We need to think of a way to do this that avoids real economic insecurity risks to the United States, but doesn't slow the low carbon transition.

Amelia Lester ([02:14:29](#)):

How do you think the Biden administration is doing on that?

Dr. Joanna Lewis ([02:14:32](#)):

Well, I think this is a really challenging policy investigation because really, we're in a situation now where, for example, we want to push battery manufacturing in the United States. There's been, for example, a partnership between Ford and CATL, the largest battery manufacturer in the world, a Chinese company, for electric vehicles. A lot of scrutiny over this partnership, even though this would be a licensing, essentially, of advanced technology to a US company because we are behind. This is an area where the Chinese government has invested strategically through science and technology, planning over the last few decades, and they were able to leapfrog in a lot of these areas. It used to be we were transferring technology to China. We're really in a new world, and I think it's naive to think that we can just go it alone. China is so central to this. It's actually going to benefit us if we can figure out a way to engage strategically, so that we avoid the serious risks surrounding intellectual property and other areas. But we know how to manage this and I think no cooperation, particularly in the science and technology front, is ultimately detrimental to the US and to the global innovation system.

Amelia Lester ([02:15:50](#)):

There is consensus though that trade barriers between the United States and China are going to throw a wrench in the innovation process because they stifle competition. Rick, you're out of government now. So, I'm going to just ask you to be as candid as you can be here. Given the protectionism that is gripping both countries, what do you think remains possible in this space?

Rick Waters ([02:16:11](#)):

In the broader economic trade space?

Amelia Lester ([02:16:12](#)):

In the climate-

Rick Waters ([02:16:13](#)):

In the climate.

Amelia Lester ([02:16:14](#)):

Cooperation space specifically.

Rick Waters ([02:16:16](#)):

Well, in addition to the points that Joanne has made, I think the challenge is in some ways the politics. I think it's difficult now for the US or China to be seen as doing something for the other. So, I think the most that's likely in the transnational areas, climate, health, food security, where the US and China have overlapping if not identical interests, is perhaps coordination of parallel policies. That might be the most you can expect. So, I think we just have to acknowledge that in the often zero-sum politics, both in Beijing and Washington, the expectations have to be more modest than in the era of grand US-China deals that then drove the global conversation.

Amelia Lester ([02:17:04](#)):

Bonnie, let's talk about a particular threat that was talked about in the last panel, which is a Chinese attack on Taiwan. Xi did instruct the PLA to be ready by 2027 for potential forceful unification. The memo that caused such a stir in Washington by the Head of US Air Mobility Command, Mike Minihan, that predicted war by 2025, that was talked about in the last panel, is not an especially well-informed memo, but has nonetheless, I think it's safe to say, dominated conversation in Washington since its release. What strikes me a lot of the time in this is that we seem to talk about war as though neither side has any agency in it happening in these predictions. So, I instead want to reframe it a bit and ask you, how strong US support for Taiwan security shapes this scenario and what measures do you think the US can take to reduce the risk of a military confrontation?

Bonnie Glaser ([02:18:03](#)):

Those are very good questions. I've never seen more discussion about Taiwan globally in my life. This is an issue I've been working on for many decades. There's a lot of, I think, wrong information and I've published a great deal. I had an article in the New York Times last Sunday, an article that came out and [inaudible 02:18:28] today, and co-authored a book that came out earlier this year. So, my views are fairly well-known. I think the administration is right to say that a conflict is neither imminent nor inevitable. The United States has done, I think, under the Biden administration some things that are right, and then I'll talk about a few things that I think are wrong. The things that are right are to recognize that there is a risk. Xi Jinping could miscalculate. He could be getting bad information. He could perceive that this is something that

he could achieve, that he could take over Taiwan at an acceptable cost. So, I think that what we see coming out of the Biden administration is an effort to very clearly convey to Xi Jinping, and not just us, but really internationalizing this issue. China doesn't like that, but we are talking with every one of our allies and partners and asking them what they can do to strengthen deterrence.

There's various things that countries are doing. Some are sailing through the Taiwan Strait with us. Some are increasing their contacts or signing trade agreements with Taiwan. So, there's a lot that countries can do. It isn't just in the military area that matters. Then of course, and the prior panel talked about this, helping Taiwan's capabilities and also developing our own capabilities, having a more distributed and resilient and survivable force posture in the region, because if we're not actually capable of defending Taiwan, then the risk of war grows. But the other side of deterrence, and let's be clear that deterrence is composed of both credible threats and credible assurances. When you're investing in strengthening those credible threats, there is even more need to strengthen your credible assurances. China essentially, I think, needs to have confidence that if Taiwan is not declaring independence, if we are not supporting it, there is no need for them to strike Taiwan. They have to understand we are not going to restore our mutual defense treaty with Taiwan, which we abrogated as a condition of normalization. Essentially, if the Chinese say, "Right, we will not use force," that there will not be an outcome of permanent separation, and I think that's the reassurance that we need to provide.

We see a lot of confusing signals coming from this administration. There was two instances in which President Biden said that Taiwan is independent and should be allowed to make its own choices. That's problematic because actually, it contravenes our policy and it undermines assurances. So, I think all three sides need to give assurances. I don't believe that it's just the United States. It is also the PRC and Taiwan. As we have an election coming up in Taiwan in January, then it is incumbent on anybody who is elected to pursue a set of policies that will not increase tensions in the Taiwan Strait. But we have to do more to ensure that we have credible threats as well. So, doing the assurances side, not enhancing our ability to defend Taiwan, and ensuring that Xi Jinping is clear that there is the possibility we would intervene, that's important too. Both credible threats and credible assurances need to be bolstered.

Amelia Lester ([02:22:20](#)):

It almost sounds as though you feel that the strategic ambiguity has gotten too ambiguous. There needs to be a little bit more clarity on the US side.

Bonnie Glaser ([02:22:29](#)):

Well, I've written extensively that I don't support strategic clarity, again, because the Chinese already know that the United States is likely to intervene in the Taiwan Strait crisis. The PLA has assumed that in their own calculus for a very long time. But providing Taiwan with strategic clarity, essentially saying we give them an ironclad commitment to defend them, as I said, we could be misinterpreted by Beijing as restoring this mutual defense. We had a defense commitment for Taiwan, for 1954 to 1979. So, I don't think we need to say what we will do, how

we will intervene, whether we would intervene. The Chinese know that, in especially the last three years, it is exceedingly likely that we would intervene. But I think strategic clarity is simply unnecessary and could provoke the attack that we're seeking to deter.

Amelia Lester ([02:23:32](#)):

Rick, you oversaw the creation of the Office of China Coordination, informally known as China House, which is a central desk for China watchers at the State Department. What do you say to critics, and I can name a couple here, Susan Thornton, who is the former top acting State Department Envoy for East Asia from 2017 to 2018, who called the program a bad idea? She said it gives rise to the hype and distortions that we see now around Chinese activities. Has the State Department and the US government generally overinflated the threat that China poses either to Taiwan or to the US directly?

Rick Waters ([02:24:10](#)):

I think to understand what Secretary Blinken and his predecessor, Secretary Pompeo, wanted to achieve with China House, it gets back to the fact that the US-China relationship went from being a primarily bilateral relationship, a much more traditional relationship, where you sought on a transactional basis to achieve your goals, bearing in mind the interest of the other, to a very different type of relationship, one in which it is now primarily competitive. The central premise of the administration's China strategy is essentially to shape China's policy environment around it through strengthening allies and partner relationships on an ad hoc basis, often specific to given issues. To get back to the organizational question, I think it was only natural that the executive branch, the national security branch, not just state, start to reimagine, how do you prosecute a global multidimensional challenge? Because the picture that I saw when I headed the China desk a few years before this project started was a bureaucracy that was not configured to deal with technology competition, to deal with competition at a sub-national level. That simply isn't what the State Department bilateral desks were configured to do. So, I give a lot of credit, frankly, to both administrations because Secretary Pompeo got the positions and Secretary Blinken continued to lead the project and bring it to fruition. The fact that there was actually bipartisan support for this re-imagining and that it's actually started to happen in other parts of the national security bureaucracy I think is just a testament to the fact that we're at an inflection point and it was a necessary. It was always going to be a little bit painful. Don't do a reorg at the State Department without knowing what you're getting into. But I think it was the right thing to do and I'm very proud of the team that persevered through it, because I think we'll look back and we'll recognize that our country is better off with more sophisticated policy development mechanisms for a challenge of this magnitude.

Amelia Lester ([02:26:26](#)):

Okay, I promised us some forward-thinking ideas here. So, in the last few minutes, that's what I'm going to focus on. Joanna, let's come to you. I wondered if you could explore one specific idea that you propose in your book to enhance cooperation on climate between the US and

China, and that is to revive the US-China Clean Energy Research Center or something akin to it. Can you explain a little bit about that?

Dr. Joanna Lewis ([02:26:55](#)):

Sure. One of the cornerstones or bilateral initiatives of the Obama administration with China was something called the US-China Clean Energy Research Center. This is the largest bilateral initiative we've ever done with China in the science and technology area. It involved hundreds of scientists from both countries cooperating on a variety of clean energy technologies. Our national labs were involved, many of our companies. It was a public-private partnership. What was unique about it was that, first of all, we weren't providing any direct funding support to China. It was self-funded by both sides. It was purely a 50-50 split, where both sides brought expertise and resources to the table. The other thing that made it unique was that intellectual property, of course, is always an issue when you do this cross-border, cross-national research and development that involves information coming in from both sides. The partnership really faced this head on and set up a special arrangement for how IP would be protected in the context of this partnership. That was reflected, there's language in the renewed 2018 US-China Science and Technology Agreement. This is something that both presidents signed off on. So, it was really the first time that we'd escalated the idea of protecting intellectual property in a joint R&D partnership this way, and it worked quite well. Now, we look back on this and think this is not the political climate to be doing science and technology cooperation with China of that scale. While there's some truth to that, I do think that doing nothing is also not the answer. Again, we are in what scientists call the pivotal decade for addressing climate change. If we don't deploy massive amounts of low carbon technologies before 2030, we avoid the ability to get on the emissions trajectories that we need to avoid really dangerous impacts. We're already seeing, of course, climate impacts around the world. China's facing them, we're facing them. So, I do think that there are ways to re-envision the relationship. As Rick said, I think looking at these parallel policy processes is quite productive. Methane has been a big focus, for example, of the current administration in its engagement with China. There was a meeting last week in advance of the APEC Summit between our special envoy, John Kerry, and the Chinese counterpart, Xie Zhenhua, where, by all reports, it was constructive and is teeing up some re-engagement on climate. Hours after that meeting, China released its long-awaited national methane plan, which is the first time China's released any policy strategy related to a very potent greenhouse gas that is key to this solution. So, I think there's ways to re-envision how we engage that takes into account the current political climate.

Amelia Lester ([02:30:01](#)):

Some green shoots there, thank you. Bonnie, again, looking forward as we wrap up this morning, I'm curious about how China's economic prospects, which you referenced at the beginning, the headwinds it's facing, how they affect the relationship going forward. Does it make it more or less likely that the US relationship gets worse if China does slip from motion to stagnation, as we've been talking about, and does it make China more or less dangerous to be in economic troubles?

Bonnie Glaser ([02:30:34](#)):

You're not asking me for green shoots.

Amelia Lester ([02:30:35](#)):

No, I figured that was too hard.

Bonnie Glaser ([02:30:39](#)):

Okay.

Amelia Lester ([02:30:39](#)):

Unless you've got some?

Bonnie Glaser ([02:30:41](#)):

I do, but I don't want to dominate the last four minutes. But I do think the dialogue between our two militaries on operational safety is particularly important and I do hope that will resume. But your question is a very difficult one.

Amelia Lester ([02:30:57](#)):

You have three minutes.

Bonnie Glaser ([02:30:58](#)):

I see, I have three minutes. We have to give Rick some time too. I really think that it would be presumptuous to assume, as some people have, first, that we have a peaking economy in China. Peaking suggests that you have the economy go up and then go down. We're likely to see a plateau. I'm not an economist, but I think that that is the most likely outcome where China continues to grow at just a slower rate. Because there are very specific problems that require Xi Jinping's attention, my guess is that there will be continued focus on doing so and less adventurism abroad. Sorry, not everybody agrees with that. There are people who think that the Chinese would try to distract from domestic difficulties by potentially invading Taiwan. Well, that would be incredibly risky because a failed invasion at a time of real economic troubles I think ultimately leads to a major threat to legitimacy of the party and to the position of Xi Jinping. So, I don't think it makes an attack on Taiwan more likely, but China will continue to take the actions that are necessary to protect its own sovereignty and its core interests. We're never quite clear how broadly defined core interest is, but it's certainly Taiwan, it is Xinjiang and Tibet, it's probably the South China Sea, and it could be other disputed borders. So, we should not underestimate if they feel threatened their willingness to do that. But I think that China's economic headwinds make them particularly vulnerable at this time because of the US and of course our allies imposing restrictions on technology. This is my sense from what we're hearing from senior Chinese officials is the single most important issue for them other than Taiwan. I

doubt that the Biden administration is going to slow down its efforts on this front, and this will be very challenging for China going forward I think.

Amelia Lester ([02:33:30](#)):

Rick, last question of the morning to you. I want to bring it back again to next week's meeting between Biden and Xi. These personal relationships can make a difference. We saw that when Australia had a change of government last year, it prompted a reset in the China-Australia relationship, and China backed down from its bans on Australian coal and other imports. When Australian Prime Minister, Anthony Albanese, visited Beijing recently, everyone seemed to be all smiles. I know we started today by you saying you have modest ambitions for that meeting, but I wondered if you could end by telling us a little bit of your reflections on how much those personal relationships and personal diplomacy can dial down the temperature at a time like this.

Rick Waters ([02:34:20](#)):

Well, I think they're critical, especially given the evolution of the Chinese system. Much of what we've talked about today, whether it's in the transnational space or on the issues in which the two sides are trying to manage their differences, it requires permission from the Chinese leadership to even discuss those issues with the US. Biden and Xi have a long history. They've known each other probably better than any other two leaders in the US-China context since the recognition period. So, it does matter, but I don't think that we want to draw from that the conclusion that this meeting in San Francisco will be a fundamental inflection point. I think at this point, the policy lines on both sides are set and the conditions going into the final year of a first term are really more about implementing what they intended to implement last year at Bali with perhaps some modest outcomes but not major deliverables and putting themselves on a footing next year to manage competition within the bounds that they're attempting to set.

Amelia Lester ([02:35:23](#)):

Well, I'm sure we'll be all watching it very closely, but now it's time to end this panel. Bonnie Glaser, Dr. Joanna Lewis, and Rick Waters, thank you so much for being here today.

Bonnie Glaser ([02:35:34](#)):

Thank you.

Closing Remarks

Please welcome back to the stage, FP's Ravi Agrawal.

Ravi Agrawal ([02:35:48](#)):

Hi everyone, I thought that was a fantastic discussion. Thank you, each of you, for being candid and for looking ahead, which we really need. I'm going to leave you with a few thoughts, and I don't want to take up too much of your time because I know we've had a packed morning. But

we began by talking about the importance of asking the right questions when it comes to the US-China relationship and how important it is to look at where things are headed. Not just to be in the moment, to be absorbed by the sense of the need to compete, which is important, but to ask what does that mean? What is the end state?

(02:36:41)

I think we've looked at that from a few angles at least. We've looked at how economics matters in terms of China's trajectory, and through a better understanding of China's trajectory, US policy makers can hopefully have and craft better and more accurate policy in terms of how best to not only deal with China, but to imagine what kind of a challenge it poses. We discussed with Nisha Biswal and [inaudible 02:37:13] how the global south plays into calculations around the world. Nobody, no country around the world wants to see the US and China escalate tensions to a degree where it impacts them adversely. We're at a point where we are more globalized than ever before, even though we've seen a retrenchment on that front in the last three years. But countries need these two big, giant superpowers to at some level get along, to figure out a happy medium between competition and cooperation. We heard from Amy's panel on war, just when you begin to imagine the unimaginable, how terrifying and grim that actually can be. We also heard from Congress in terms of how occupied they are with two other wars that are going on and how hard it is within all of that to add a dose of sanity and forward planning to US policymaking on China.

(02:38:15)

I'll leave you with this. We're beginning to see some good signs over the last month and into next week about increased dialogue between the United States and China. That is something to cautiously look at with some optimism, and we at Foreign Policy will continue to cover this incredibly important relationship very closely in the coming weeks to see what emerges when Biden meets Xi. As we heard from our last panel, we can be cautiously optimistic, but expectations are still quite modest. We will keep asking tough questions of this relationship and in that endeavor, I want to thank our partners today, the Quincy Institute, which as you all know, does terrific work in this area, in asking questions that often go unasked in Washington DC, questions about, what is America's role in the world? Questions about, when to apply restraint? When to think about America's role in the world vis-a-vis other countries, vis-a-vis changing global order? I thank you, Quincy, for your leadership in that area and for partnering with us to bring you the panels today.

(02:39:31)

A couple of things to close. You have our last print edition on your tables. It's very relevant to this discussion because it looks at the global order. It looks at the importance of alliances. Alliances in a sense are more important today than ever before because some of them are aligned against China. Some of them are trying to act in the interstices of US-China competition. We're in a changing world that is in a lot of flux, and a lot of that has to do with the US-China relationship. Read that issue. I think it'll shed light especially on what it means for the rest of the world. Lastly, if you enjoyed this event, please look at some of the other events that Foreign Policy holds. You can look at them on foreignpolicy.com/events. There's one on defending democracy that's coming up next week I believe. Representative Raja Krishnamoorthi, who's on

the Select China Committee, will be speaking there. You can expect him to tackle critical minerals, China's role in policing and competing with the United States on that front, and there's lots more. We will be at COP later this year in the UAE and at Davos. If you are going there, do check us out. I will close there. I'll leave a little bit of time for all of you to mingle if you'd like. Grab a coffee, meet other people you've been wanting to chat with. Thank you for being a great audience, and happy, is it Thursday? Happy Thursday. All right, cheers.