



The ICAS Bulletin

Institute for China America Studies

A Survey of Scholarship on U.S.-China Relations

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What's Going On?

Surveillance Balloon Causes Bilateral Uproar



US Secretary of State Antony Blinken speaks following a Memorandum of Understanding signing ceremony. (Source: SAUL LOEB/AFP via Getty Images)

- U.S. President Biden stated that the Chinese surveillance balloon, discovered two weeks ago over Montana, did not damage bilateral relations, emphasizing strategic competition not conflict.
- The Chinese Foreign Ministry spokesman Wang Wenbin stated that, "It is also common for US balloons to illegally enter the airspace of other countries," in-response to the Chinese surveillance balloon.
- Secretary of State Antony Blinken is eyeing a possible meeting with his Chinese counterpart Wang Yi at an international security conference in Munich this coming weekend. The meeting comes after Blinken canceled his planned trip to China citing the balloon as a "irresponsible act and a clear violation of U.S. sovereignty."
- The U.S. Department of Defense cited that the Chinese surveillance balloon is part of a broad surveillance campaign from China, pointing out there have been four previous Chinese surveillance balloons that have entered U.S. airspace since the Trump administration.
- The Chinese Ministry of Defense declined a request from the U.S. Department of Defense to have high-level talks, after the Chinese surveillance balloon was shot down by U.S. fighter jets over the Atlantic Ocean.

Chinese Markets Suffer Amid Rising Temperatures



Judges wooden hammer in front of the American flag. (Source: Getty Images, Royalty Free)

- China's stock market suffered losses amid fresh geopolitical risks, dampening optimism about its reopening, but analysts on Wall Street remain bullish on the economy's future prospects.
- U.S. Treasury Secretary Janet Yellen expressed hope to visit China but provided no details on timing, since "that's up to the State [department] and DOD [Department of Defense]."
- Taiwanese businesses face risks as tensions between the U.S. and China continue to escalate, with some companies experiencing disruptions in their supply chains.
- The U.S. government is preparing to counter China's technological advancement by imposing new rules on capital outflows and increasing investment in research and development, as part of a broader effort to maintain its competitive edge.
- U.S. Commerce Secretary Gina Raimondo plans to discuss collaboration on semiconductor chips to counter China during a March trip to India, but emphasized the importance of India complying with labor standards.
- The U.S. is considering sanctions on Chinese companies for their role in helping Iran build a surveillance network that would monitor and suppress dissent, according to officials familiar with the matter.

- The U.S. Department of Defense identified at least one other Chinese surveillance balloon flying over Latin America.
- The Chinese Foreign Ministry urged the United States to act “calmly and prudently” in dealing with the surveillance balloon found.

Associated News Sources:

[“US, China Diplomats Weigh First Meeting After Balloon Drama.”](#) *Bloomberg*, February 13 [Paywall]
[“China says US has sent over 10 high-altitude balloons illegally into Chinese airspace since last year.”](#) *South China Morning Post*, February 13 [Paywall]
[“Biden says US-China relations have not taken a hit in wake of spy balloon shoot down.”](#) *CNN*, February 9
[“Balloon was part of wider Chinese snooping effort. Pentagon says.”](#) *Politico*, February 8
[“China refused conversation with US defense secretary following downing of suspected spy balloon.”](#) *CNN*, February 7
[“U.S. military downs Chinese balloon over Atlantic Ocean.”](#) *The Washington Post*, February 4 [Paywall]
[“Blinken tells China its spy balloon was ‘irresponsible’ after canceling Beijing trip.”](#) *CNBC News*, February 3
[“Another Chinese ‘surveillance balloon’ is flying over Latin America, Pentagon says.”](#) *NBC*, February 3
[“Chinese spy balloon claims: Beijing urges US to respond ‘calmly and prudently’.”](#) *South China Morning Post*, February 3 [Paywall]
[“Pentagon Says It Detected a Chinese Spy Balloon Hovering Over Montana.”](#) *The New York Times*, February 2 [Paywall]

- The U.S. seized a shipment of aluminum from China on suspicion of forced labor, following the Biden administration's recent efforts to combat human rights abuses in global supply chains.
- The U.S. accused Chinese platforms, including Alibaba branches, of failing to curb the trade of counterfeit goods.

Associated News Sources:

[“China reopening play ‘overhyped’ as stock market losses inflict pain, ‘spy balloon’ rekindles US tech sanctions.”](#) *South China Morning Post*, February 13 [Paywall]
[“U.S. Treasury's Yellen still hopes to visit China but no time set.”](#) *Reuters*, February 9 [Paywall]
[“More US firms in Taiwan say they’re seeing ‘significant disruption’ due to rising tension with China.”](#) *CNN*, February 9
[“U.S. Aims to Curtail Technology Investment in China.”](#) *The New York Times*, February 9 [Paywall]
[“U.S. explores working with India to increase economic competition against China, says Commerce Secretary Gina Raimondo.”](#) *CNBC*, February 8
[“U.S. Weighs Sanctions for Chinese Companies Over Iran Surveillance Buildup.”](#) *The Wall Street Journal*, February 4 [Paywall]
[“US Detains Chinese Aluminum, a Suspected Product of Forced Labor.”](#) *Bloomberg*, February 1 [Paywall]
[“US says China is still failing to crack down on copyright infringement and IP piracy.”](#) *South China Morning Post*, February 1 [Paywall]

Taiwan Becomes Spotlights Amid Rising Bilateral Tensions



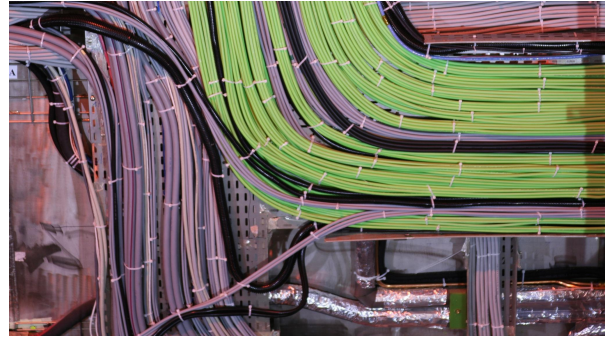
Taiwan President Tsai Ing-wen gives a speech at a press conference after casting her ballots in local elections amid tensions with China.
(Source: Annabelle Chih/Getty Images)

- The US Navy has begun holding joint military exercises in the South China Sea.
- The U.S. House special committee on China looks to send a high-power delegation to Taiwan, amid rising tensions and increased military pressure from China. Representative Rob Wittman, senior member of the committee, said that despite the potential of such a trip to infuriate the Chinese, he believes it is important to send a strong message in support of Taiwan.
- The U.S. Department of Defense undersecretary, Colin Kahl, stated that, "I don't see anything that indicates that this thing is imminent" when referring to a possible invasion of Taiwan, pushing back against General Mike Minihan's early February statement that the U.S. should expect a fight with China by 2025.
- The U.S. Central Intelligence Agency Director William Burns urged not to underestimate Chinese President Xi's ambitions towards Taiwan, despite the poor performance of Russia's military in Ukraine.
- Taiwan President Tsai Ing-wen welcomed the former head of the U.S. Indo-Pacific Command Phil Davidson to Taiwan. The trip follows warnings from Davidson and other sitting U.S. officials of a potential invasion of Taiwan in the next decade.

Associated News Sources:

- ["US holds drills in South China Sea amid tensions with China," AP News, February 13](#)
- ["Members of U.S. special committee on China weighing visit to Taipei," Nikkei Asia, February 12](#)
- ["China seizure of Taiwan not 'imminent,' says key DoD official," DefenseNews, February 6](#)
- ["CIA chief warns against underestimating Xi's ambitions toward Taiwan," Reuters, February 2 \[Paywall\]](#)
- ["Taiwan's Tsai welcomes retired US admiral for China talks," AP News, February 2](#)

Chinese Technology Firms Under Scrutiny



Data cables running on an experimental machine.
(Source: Getty Images, Royalty Free)

- China has cut participation in Sea-Me-We 6, a global data cable project linking Asia to Europe via subsea cables. China cited rising tensions with the U.S. as a main factor in pulling out of the project.
- The Biden Administration added at least six Chinese companies with ties to the Chinese surveillance balloon on the Department of Commerce's entities list, restricting U.S. business with the firms.
- U.S. investment firms accounted for nearly one-fifth of investments into Chinese artificial intelligence companies between 2015 and 2021, according to the Center for Security and Emerging Technology.
- U.S. Representative Mike Gallagher met with TikTok to speak about TikTok's protection of American data. Representative Gallagher's spokesperson said the congressman "found their argument unpersuasive."
- Huawei is experiencing increased pressure amid reports that the U.S. Department of Commerce looks to stop approving export licenses for a wide array of technology to Huawei.
- U.S. congressional members have urged the Justice Department to consider economic-espionage claims against TuSimple Holdings, an American self-driving company with ties to China.

Associated News Sources:

- ["China pulls back from global subsea cable project as US tensions mount," Financial Times, February 10 \[Paywall\]](#)
- ["U.S. Poised to Further Tighten Technology Exports to China After Balloon Incident," The Wall Street Journal, February 10 \[Paywall\]](#)
- ["U.S. Blacklists 6 Chinese Entities Involved in Spy Balloon Programs," The New York Times, February 10 \[Paywall\]](#)
- ["US investors poured billions into Chinese AI firms, taking part in US\\$40 billion in funding over 6 years," South China Morning Post, February 2 \[Paywall\]](#)
- ["Republican U.S. lawmaker meets with TikTok, but unpersuaded," Reuters, February 1 \[Paywall\]](#)

["Huawei's fate in the spotlight amid reports that Joe Biden is considering cutting it off completely from US exports,"](#) *South China Morning Post*, February 1 [Paywall]
["Leaders of Self-Driving-Truck Company Face Espionage Concerns Over China Ties,"](#) *The Wall Street Journal*, February 1 [Paywall]

New Realms of Strategic Competition



Close-Up Of Sea Against Sky. (Source: Getty Images, Royalty Free)

- The Chinese Institute of Middle East Studies urged China to weigh shifts in their Middle East policies to avoid turning the region into a battleground with the U.S.
- The United States reopened an embassy in the Solomon Islands in an effort to establish more footholds in the region and to counter Chinese influence in the Pacific.
- The Philippines has confirmed they will provide the U.S. with expanded access on four military bases, increasing U.S. military cooperation in the Pacific in-order to counter China's rising posturing.
- Kenya has asked the U.S. to fund an extension of a joint counterterrorism base, raising U.S. concerns that Kenya could turn to China for the construction of the project. The Department of Defense cited worries that a Chinese construction firm "poses a strategic dilemma" for the U.S. military.

Associated News Sources:

["China urged to remain focused on economic ties in Middle East, avoid 'great power game' with US,"](#) *South China Morning Post*, February 11 [Paywall]
["US opens embassy in Solomon Islands to counter China,"](#) *AP News*, February 2
["US military to gain expanded access to Philippines bases in efforts to counter China,"](#) *CNN*, February 2
["Fears of Losing Out to China Put U.S. Under Pressure Over Kenya Base,"](#) *The Wall Street Journal*, February 2 [Paywall]

- In Other News -



Flags fly outside the General Secretariat Building at the United Nations Headquarters. (Source: Getty Images, Royalty Free)

["U.N. should follow up on China 'crimes against humanity' report, HRW says,"](#) *Reuters*, February 13 [Paywall]
["US renews warning it'll defend Philippines after China spat,"](#) *AP News*, February 14
["China Says It's Ready to Enhance Ties With Taiwan Opposition,"](#) *Bloomberg*, February 9 [Paywall]
["Tesla, after recent cuts, raises starting price of Model Y in China,"](#) *Reuters*, February 9 [Paywall]
["Farmland Becomes Flashpoint in U.S.-China Relations,"](#) *The Wall Street Journal*, February 6 [Paywall]
["Hong Kong: Landmark national security trial begins,"](#) *DW News*, February 6
["US State Department honours Chinese activist Ding Jiaxi as a 'global human rights defender',"](#) *South China Morning Post*, February 1 [Paywall]

What Are We Reading? ↓

- Center for Security and Emerging Technology: [“U.S. Outbound Investment into Chinese AI Companies”](#) by Emily S. Weinstein and Ngor Luong (February, 2023)
- *Politico*: [“Taiwan’s Tech King to Nancy Pelosi: U.S. Is in Over Its Head”](#) by Alexander Burns (February 14, 2023)
- *Reuters*: [“Analysis: In China, Tesla could win electric vehicle price battle – but lose the war”](#) (February 13, 2023) [Paywall]
- *Reuters*: [“Analysis: After spy balloon, can China and the U.S. talk again?”](#) by David Brunnstrom and Michael Martina (February 12, 2023) [Paywall]
- Brookings: [“Geostrategic competition and US, Chinese, and Russian overseas basing”](#) by Andrew Yeo and Issac B. Kardon (February 10, 2023)
- *CNN*: [“The US says Xi didn’t know about the balloon. That raises even more questions”](#) by Simone McCarthy (February 10, 2023)
- *Financial Times*: [“Avoiding catastrophe will be the true test of fractious US-China relations”](#) by Jude Blanchette (February 10, 2023) [Paywall]
- *Vox*: [“If the US and China go to the brink, can they figure out how to de-escalate?”](#) by Micheal Bluhm (February 9, 2023)
- *USNI*: [“Report on U.S.-China Strategic Competition in South and East China Seas”](#) (February 9, 2023)
- *South China Morning Post*: [“Why the high cost of conflict may be the best hope for peace in the Taiwan Strait”](#) by Minnie Chan (February 9, 2023) [Paywall]
- *South China Morning Post*: [“Xi, Biden stake claims in China-US rivalry by touting opposing political systems”](#) by Laura Zhou and Jun Mei (February 9, 2023) [Paywall]
- *NikkeiAsia*: [“CEOs should prepare for U.S. congressional grilling on China”](#) by John Kachtik (February 8, 2023)
- *The New York Times*: [“How U.S.-China Tensions Could Affect Who Buys the House Next Door”](#) by J. David Goodman (February 7, 2023) [Paywall]
- *Politico*: [“What cold war? U.S. trade with China hits new high”](#) by Doug Palmer (February 7, 2023)
- *The New York Times*: [“China’s Balloon Dispute Aims Attention at Xi’s Leadership”](#) by David Pierson (February 6, 2023) [Paywall]
- *South China Morning Post*: [“When did China first know its balloon was in US airspace?”](#) by Kawala Xie (February 6, 2023) [Paywall]
- East-West Center: [“Abrogating the Visiting Forces Agreement: Its Effects on Philippines’ Security and Stability in Southeast Asia”](#) by Renato Acosta (February 6, 2023)
- *The New York Times*: [“Balloon Incident Reveals More Than Spying as Competition With China Intensifies”](#) by David E. Sanger (February 5, 2023) [Paywall]
- *The Japan Times*: [“After U.S. downing of suspected Chinese spy balloon, can ties can be stabilized?”](#) by Jesse Johnson (February 5, 2023) [Paywall]
- *Reuters*: [“China balloon over U.S. deflates hopes for diplomatic thaw”](#) by Michael Martina, Humeyra Pamuk and David Brunnstrom (February 4, 2023) [Paywall]
- *The New York Times*: [“The Chinese spy balloon moved from Alaska to South Carolina, prompting fear, jokes and political debate.”](#) by Melina Delkic (February 4, 2023) [Paywall]
- *The Washington Post*: [“The inside story of how the U.S. shot down the Chinese balloon”](#) by David Ignatius (February 4, 2023) [Paywall]
- *The Wall Street Journal*: [“China’s suspected spy balloon is the perfect symbol of its clumsiness”](#) by Sebastian Mallaby (February 4, 2023) [Paywall]
- *The Washington Post*: [“What a Cold War spy-plane crisis teaches us about China’s balloon antics”](#) by Richard Aldous (February 3, 2023) [Paywall]
- *The Wall Street Journal*: [“Challenging the U.S. Is a Historic Mistake”](#) by Robert Kagan (February 3, 2023) [Paywall]

- *The New York Times*: [“Why Chinese Companies Are Investing Billions in Mexico”](#) by Peter S. Goodman (February 3, 2023) [Paywall]
- *The Washington Post*: [“What China wanted out of Blinken’s now postponed visit”](#) by Lily Kuo (February 3, 2023) [Paywall]
- *AP News*: [“How the US is boosting military alliances to counter China”](#) by Lolita C. Baldor (February 2, 2023)
- *Los Angeles Times*: [“The U.S. military has big plans for an Australian port. So does the Chinese firm that controls it”](#) by Maria Petrakis (February 2, 2023) [Paywall]
- *Politico*: [“We Already Have 18 Intelligence Agencies. We Still Need 1 More.”](#) by Jonathan Panikoff (February 1, 2023) [Paywall]
- *The New York Times*: [“China and the U.S. Are Wooing Indonesia, and Beijing Has the Edge”](#) by Jane Perlez, Eric Schmitt, and Sui-Lee Wee (February 1, 2023) [Paywall]
- *The New York Times*: [“The Problem With Taking TikTok Away From Americans”](#) by Glenn S. Gerstell (February 1, 2023) [Paywall]
- *Responsible Statecraft*: [“China is sending interesting signals to the US. Is anyone listening?”](#) by Jorgen Oestrom Moeller (January 30, 2023)
- *Foreign Affairs*: [“America’s China Policy Is Not Working”](#) by Henry M. Paulson, Jr. (January 26, 2023) [Paywall]

What’s Happening Around Town? ↓

- Past Events -

- [The Balloon and the U.S.-China Relationship](#)
February 10 hosted by Foreign Policy
- [EWC Insights: China Seminar featuring Dr. Antonina Łuszczkiewicz](#)
February 9 hosted by the East-West Center
- [Rendezvous with Destiny? What Xi Jinping’s Third Term Means for Taiwan and the United States](#)
February 9 hosted by the East-West Center

- Upcoming Events -

- [Opportunities for Enhanced Near-term U.S.-China Climate Action: The Food System](#)
March 7 hosted by the Wilson Center
- [A country in flux: Recent and future policy shifts in China](#)
March 10 by Brookings
- [China Insight Series: How Chinese Companies are Reinventing Management Control](#)
March 23 hosted by Northeastern Center for Emerging Markets

What ICAS Is Up To

---ICAS Commentary---

Slamming the door on diplomacy over surveillance balloon is reckless, not resolute

By Alec Caruana
February 6, 2023

The frenzy over a Chinese surveillance balloon which traversed American airspace during the past few days is characteristically stirring up ill-conceived and dangerous ideas in Washington. While the threat of espionage ought to be addressed thoughtfully and comprehensively, hasty saber-rattling and clamor for further disengagement with China over this incident is a miscalculation that could greatly imperil our military encounters across the Pacific.

Though the precise purpose of the balloon remains unclear, [analysts](#) and [the Pentagon](#) gave assurances that this mechanism of Chinese “intelligence gathering” had been observed before under previous administrations, posed no urgent threat, and was of relatively limited intelligence value. Nevertheless, its ‘gimmicky’ and theatrical nature negatively framed the White House’s options in favor of short-term remedies over long-term security.

[Link to Full Post](#)

---ICAS In the News---



On Wednesday, February 8, 2023, Senior Fellow Sourabh Gupta [analyzed](#) President Biden's State of the Union on CGTN's The Point with Liu Xin.

- “Mr. Biden is staying consistent to the line he has had from day one in his administration in regards to China, and this is an administration which is focused on extreme competition with China but extreme competition in his view doesn’t necessarily have to devolve into conflict. He has talked about trying to create guardrails. Whether those guardrails could be created is still up in the air, simply because there has been an exchange of good intentions by both sides but as we’ve seen with this past weekend itself, it is hard to translate intentions into action.”
- “The contradiction here is that Mr. Biden is actually looking at short-term gains through protectionist measures, and creating jobs through a lot of fiscal spending. It will create jobs and it will create growth, but what it will not create is having America operate at its productivity frontier. For America to operate at its most productive, it needs to have an open economy and trade with its most consequential trading partners.”

On Tuesday, February 7, 2023, Senior Fellow Sourabh Gupta [previewed](#) President Biden's State of the Union on CGTN's The Hub with Wang Guan.

- “The atmosphere in the Beltway is charged, politically charged, it has been politically charged for quite a while and it will stay that way especially with the Republicans having won the house. They are out here to try to torpedo Mr. Biden politically and from a policy perspective so it is going to be a very combustive year or combustive two years in American politics. I would say frankly we are already in the early stages of the 2024 re-election process.”

- "I actually think this year in 2023 there is the opportunity of lending a certain degree of stability to the relationship and that is why we've seen the leaders trying to stabilize the relationship at least from the White House's perspective. I'm talking from the executive branch's perspective. Congress is going to be the spoiler here, I think congress is going to go out of its way to spoil the relationship."