# The ICAS Bulletin Institute for China America Studies

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

February 14, 2024

### What's Going On? \

# **U.S.-China Trade Dynamics and Global Economic Impacts**



He Lifeng, Chinese vice premier and Chinese lead person for China-U.S. economic and trade affairs, meets with a delegation led by Jay Shambaugh, under secretary for international affairs at the U.S. Department of the Treasury, in Beijing on February 6, 2024. (Credit: Photo by Yin Bogu/Xinhua via Getty Images)

- U.S. Trade Representative Katherine Tai justified maintaining Trump-era tariffs on China, highlighting their strategic value alongside Biden's initiatives which generated nearly a million manufacturing jobs, emphasizing a comprehensive strategy to strengthen the U.S. middle class and domestic economy.
- In 2023, U.S. agricultural exports declined to a three-year low of \$191 billion, a 10% drop from the previous year, affected by commodity prices, decreased shipment volumes, and increased competition.
- On February 6, Chinese and U.S. officials met in Beijing to discuss contentious economic issues, signaling a constructive yet cautious engagement amidst escalating trade and tariff concerns in the lead-up to the U.S. presidential election.
- Last year, Mexico overtook China as the primary supplier of imports to the U.S. for the first time in two decades, marking a significant realignment in trade partnerships against the backdrop of escalating tensions

# Geopolitics and Strategic Posturing in the Indo-Pacific



The Arleigh Burke-class guided-missile destroyer USS John Finn (DDG 113) is underway with the Japan Maritime Self-Defense Force destroyer JS Sazanami (DD 113) and Royal Australian Navy frigate HMAS Warramunga (FFH 152) during trilateral operations in the South China Sea on February 7, 2024. (Source: U.S. Navy Photo, Public Domain)

- The Chinese embassy in Tokyo warned that anyone interfering with China's reunification with Taiwan would face severe consequences, coinciding with the US and Japan's biennial "Keen Edge 24" military drills.
- The U.S. and Japan concluded Keen Edge 24, a joint command post exercise aimed at enhancing coordination against threats from China, marking the first time the Australian Defense Force participated and China was directly named as the hypothetical adversary in a scenario involving Taiwan.
- U.S. Deputy Secretary of State Richard Verma cautioned Papua New Guinea against entering into a security pact with China, highlighting the high costs and consequences of such agreements and advocating for partnerships with nations that adhere to international standards.
- A coalition of distinguished Australians, including former officials and scholars, advocated for the government to actively mediate to prevent a potential conflict between the U.S. and China, emphasizing the



between the U.S. and China.

- Goldman Sachs reported that Chinese investors are highly concerned about the possibility of Donald Trump winning the November U.S. presidential election as Donald Trump announced intentions to levy tariffs of 60% or higher on Chinese imports if re-elected, intensifying the U.S.-China trade war he initiated during his first term.

#### Associated News Sources:

"Punish China, create US jobs: trade envoy defends Joe Biden's retention of Donald Trump-era tariffs," South China Morning Post, February 13 [Paywall]
"US farm exports hit three-year low in 2023 as China slows buying," Reuters, February 8
"China, US hold economic talks as trade issues heat up on the campaign trail," ABC News, February 7
"Mexico overtakes China as the leading source of goods imported to US," ABC News, February 7
"Trump 2.0 Tops Chinese Investors' Concerns, Goldman Sachs Says," Bloomberg, February 4 [Paywall]
"Trump floats 'more than' 60% tariffs on Chinese imports," CNBC, February 4

need for a new détente to ensure equality and balance in the Indo-Pacific region.

- Japan is reportedly cautioning Donald Trump against entering agreements with China that might destabilize the region or negate the G7's attempts to challenge Beijing's influence.
- A Chinese official suggested that Donald Trump's potential win in the upcoming U.S. presidential race could result in the U.S. withdrawing support for Taiwan, underscoring uncertainties regarding America's dedication to the island amid persistent strain.

#### Associated News Sources:

"Beijing warns of 'heavy price' for 'obstructing China's reunification' with Taiwan as US, Japan stage military drills," South China Morning Post, February 7 [Paywall] "US, Japan Accelerate War Drills to Deter China," Voice of America, February 9

"US Official Urges Papua New Guinea to Reject Chinese Security Deal," Voice of America, February 4
"Prominent Australians Urge Government to Do More to Defuse US-China Tensions," Voice of America, February 3
"Japan's message for Donald Trump: don't cut a deal with China," Reuters, February 2

"China Says Trump Could Abandon Taiwan If He Wins US Election," Bloomberg, January 31 [Paywall]

# **U.S.** Cybersecurity Concerns and Scrutiny of Chinese Operations



Capitol Building in Washington, D.C. (Source: Getty Images, Royalty-Free)

- Several U.S. lawmakers have written letters to the secretaries of Commerce, Defense and Treasury urging them to investigate Chinese biotech companies WuXi AppTec and Wuxi Biologics over alleged ties to the Chinese military.
- Legislators are urging the U.S. Department of Commerce to impose restrictions on ByteDance, the company behind TikTok, due to worries about national security involving user data and connections to the Chinese government.
- A report by the House of Representatives' select

#### Corporate Responses to U.S.-China Tensions



(Source: Getty Images, Royalty-Free)

- American CEOs visiting China, including Nvidia's Jensen Huang, faced the cultural expectation to perform dances and songs at company events, showcasing a lighter, relatable side to Chinese employees, contrasting with more reserved corporate behaviors in the West.
- IDG Capital is contesting its inclusion on a U.S. Pentagon list that identifies firms with alleged ties to the Chinese military, asserting it has no connections with military entities and is seeking to resolve the confusion.



committee on China claims that, since 2001, five U.S. venture capital firms have invested at least \$3 billion into Chinese tech companies linked to military and human rights abuses in Xinjiang, and urges the Biden administration to limit investments in entities sanctioned for these connections.

- The Biden administration is considering additional restrictions, apart from tariffs, on the importation of Chinese "smart cars" and related parts into the U.S. due to data security concerns, ultimately to prevent circumvention through third countries like Mexico.
- U.S. agencies warned that China-linked hackers, part of a group known as Volt Typhoon, have been covertly present in critical U.S. computer systems for at least five years, potentially preparing for disruptive cyberattacks.
- The Biden administration is expected to announce restrictions to prevent sensitive personal data of Americans from being accessed by foreign adversaries, particularly China, due to national security concerns.
- The Pentagon has expanded its list of Chinese companies it alleges are assisting Beijing's military efforts, which could lead to increased scrutiny and restrictions on these firms by the U.S. government.

#### Associated News Sources:

"U.S. Lawmakers Seek Investigation Against China's WuXi AppTec," The Wall Street Journal, February 12 [Paywall]

"Lawmakers urge Biden administration to ban TikTok parent company," The Hill, February 9

"US lawmakers accuse VC firms of funding Chinese military-linked firms," *Reuters*, February 9

"Biden Is Looking Beyond Tariffs to Keep Chinese 'Smart

Cars' Out of the US," Bloomberg, February 8

"China-Linked Hackers Lurk in Critical US Systems,"

Voice of America, February 8

"Biden Poised to Limit American Personal Data Going to

<u>China,"</u> Bloomberg, February 7 [Paywall]

<u>"Pentagon calls out Chinese companies it says are helping Beijing's military,"</u> *Reuters*, February 1

- Despite China's economic challenges, major American companies like Apple, Mondelez, and Procter & Gamble remain committed to the Chinese market, banking on long-term consumer spending growth and government efforts to rejuvenate the economy.
- Apple Inc. experienced a marked downturn in its China-based business, with sales falling 13% to \$20.8 billion in the fiscal first quarter despite a rise in total revenue and robust iPhone sales during the holiday season.
- A survey conducted by the American Chamber of Commerce in China revealed growing optimism among US companies regarding their profit potential and market growth in China despite ongoing concerns about the broader economic challenges facing China.

#### Associated News Sources:

<u>"American CEOs Visiting China Can't Escape It: They Have to Dance on Stage,"</u> *The Wall Street Journal*, February 7 [Paywall]

"IDG Capital Works to Rebut US Claims Over China Military Ties," Bloomberg, February 6 [Paywall] "Big Brands Are Playing the Long Game in China," The Wall Street Journal, February 4 [Paywall]

"Apple's China Slump Deepens Even as Total Sales Grow Again," Bloomberg, February 2 [Paywall]

"US Companies Turning More Optimistic on China, Survey Shows," Bloomberg, January 31 [Paywall]



# Movements in Technology Investments and Market Strategies



(Source: Getty Images, Royalty-Free)

- Abu Dhabi's artificial intelligence firm G42 is reducing its operations in China and plans to invest in Western markets, including that of the U.S., to address concerns regarding its connections with Beijing.
- As U.S. export controls intensify, China is increasingly investing in RISC-V, an open-source chip architecture, to reduce reliance on Western technology. This effort is backed by substantial government investment and has led to advancements in applications such as self-driving cars and AI models.
- U.S.-based Nvidia is set to release a new AI chip, the H20, for the Chinese market, priced competitively with Huawei's Ascend 910B. The initial deliveries are scheduled to begin in small quantities in the first quarter of 2024 and increase from the second quarter.

#### Associated News Sources:

<u>"Abu Dhabi AI Firm to Pare Back China Presence in Pivot to US,"</u> Bloomberg, February 12 [Paywall]

"China bets on open-source chips as US export controls mount," Reuters, February 4

"Nvidia's new China-focused AI chip set to be sold at similar price to Huawei product," Reuters, February 1

#### - In Other News -



The map of The Taiwan Strait. (Source: Getty Images, Royalty-Free)

"China will not fall into 'trap' of war in Taiwan Strait: former envoy Cui Tiankai," South China Morning Post, February 12 [Paywall]

"Republican China committee chairman Gallagher retiring from US Congress," Reuters, February 10
"Two Cases Aim to Cut Off China and Iran From U.S.
Technology," The New York Times, February 7 [Paywall]
"Shein seeks Chinese regulators' tacit approval for US public offering," Financial Times, February 6 [Paywall]
"White House decision to not replace Asia tsar stokes concern among US allies," Financial Times, February 6 [Paywall]

"Comments on Weibo giraffe post bemoan state of Chinese economy," The Guardian, February 5 "Shein's Top U.S. Lawyer Departs," The Information, February 5 [Paywall]

"Cliff Sims, Trumpworld China hawk, named to U.S.-China commission," Axios, February 5 "N.S.A. Installs New Director as U.S. Prepares for Election Influence Operations," The New York Times, February 2 [Paywall]

"China-US relations: navy dialogue depends on status of American delegation, military analysts say," South China Morning Post, February 1 [Paywall]

"China's overcapacity a challenge that is 'here to stay', says US chamber," Financial Times, February 1 [Paywall] "Rights group warns major carmakers over risk of forced labor in China supply chains," NPR, February 1

### What Are We Reading?

- AP: "Indonesia's presidential election has high stakes for the US and China and their rivalry in the region" by Niniek Karmini and Edna Tarigan (February 13, 2024)
- Breaking Defense: "Empowered edge versus the centralization trap: Who will wield AI better, the US or China?" by Sydney J. Freedberg Jr. (February 13, 2024)
- The Hill: "US needs to take China's cyber-threat to US infrastructure more seriously" by Charles Clancy (February 13, 2024)



- The Wall Street Journal: "China's Shipyards Are Ready for a Protracted War. America's Aren't." by Niharika Mandhana (February 13, 2024) [Paywall]
- Center for European Policy Analysis: "<u>Leadership in Action: Six Priorities for the Transatlantic Alliance in 2024</u>" (February 13, 2024)
- Atlantic Council: "How the United States can counter malign Chinese and Russian influence in the Western Hemisphere" (February 12, 2024)
- Bloomberg: "In Trump-Biden Rematch, the Only Sure Loser Is China" by Mackenzie Hawkins, Jennifer Welch, Mario Parker, and Eleonora Mavroeidi (February 11, 2024) [Paywall]
- The Wall Street Journal: "Can the U.S. Break China's Grip on Solar?" by Phred Dvorak and Andrew Mollica (February 12, 2024) [Paywall]
- Financial Times: "Supply chains: when the chips are down" by Usha Haley (February 11, 2024) [Paywall]
- South China Morning Post: "US will attend naval symposium in China, but who will it send?" (February 12, 2024) [Paywall]
- Bloomberg: "How a Second Trump Administration Could Upend US-China Relations" by Tracy Alloway and Joe
   Weisenthal (February 12, 2024) [Paywall]
- CNBC: "China may be making more advanced chips despite U.S. sanctions but it still faces big problems" by Arjun Kharpal (February 11, 2024)
- The Wall Street Journal: "U.S.-China Tensions Have a New Front: A Naval Base in Africa" by Michael M. Phillips (February 10, 2024) [Paywall]
- WFYI News Indianapolis: "Carmel just withdrew from the United States Heartland China Association. Here's why" by Benjamin Thorp (February 9, 2024)
- Reuters: "Parallel universes? 'Magnificent 7' prone to China risks" by Mike Dolan (February 9, 2024)
- Foreign Policy: "Why China Is Rooting for Trump" by Agathe Demarais (February 7, 2024) [Paywall]
- South China Morning Post: "Houthi Red Sea crisis serves China's main goal: undermining the US" by Yun Sun (February 8, 2024) [Paywall]
- The Wall Street Journal: "Amazon's Newest Competitors Are Stepping Into Its Territory—Literally" by By Sebastian Herrera and Shen Lu (February 7, 2024) [Paywall]
- Tech Wire Asia: "This is how much ByteDance and Shein spent on US lobbying in 2023" by Dashveenjit Kaur (February 7, 2024)
- The Wall Street Journal: <u>"A China-U.S. Decoupling? You Ain't Seen Nothing Yet"</u> by Greg Ip (February 7, 2024) [Paywall]
- Brookings: "Is the US-China relationship the most consequential relationship for America in the world?" by Graham T. Allison, Josh M. Cartin, Elizabeth Economy, Susan A. Thornton, Ryan Hass, Patricia M. Kim, and Emilie Kimball (February 6, 2024)
- The Wall Street Journal: "America Wanted a Homegrown Solar Industry. China Is Building a Lot of It." by Phred Dvorak (February 6, 2024) [Paywall]
- The Hill: "Chinese students are paying the price for US intelligence concerns" by Lexi Lonas (February 5, 2024)
- The New York Times: "Fear and Ambition Propel Xi's Nuclear Acceleration" by Chris Buckley (February 4, 2024) [Paywall]
- The Wire China: "The DNA Distortion: Should U.S. biotech companies be allowed to sell to China's police force?"
   by Katrina Northrop (February 4, 2024) [Paywall]
- Canada West Foundation: "China Brief: China, the Indo-Pacific and Canada's West" (February 2, 2024)
- The Wall Street Journal: "Evergrande's collapse followed backroom battle between bondholders and Chinese banks" by Alexander Saeedy and Rebecca Feng (February 2, 2024) [Paywall]
- Axios: "What U.S.—China cooperation on AI could look like" by Ryan Heath and Megan Morrone (February 2, 2024)
- The New York Times: "China and the U.S. Are Talking, but Their Détente Has Limits" by David Pierson and Olivia Wang (February 2, 2024) [Paywall]
- DOD News: "U.S. Can Respond Decisively to Cyber Threat Posed by China" by C. Todd Lopez (February 1, 2024)
- Foreign Policy: "The West Did Not Invent Decoupling—China Did" by Agathe Demarais (February 1, 2024)
- Bloomberg: "America Needs More China Experts" by The Editorial Board (January 30, 2024) [Paywall]



- The Wall Street Journal: "Missing Boxes, an Email From China: How a Chip Shipment Sparked a U.S. Probe" by By Kate O'Keeffe, Heather Somerville, Yang Jie and Aruna Viswanatha (January 30, 2024) [Paywall]
- Center for Strategic & International Studies: "Charting a Path between Competition and Cooperation on Climate and Energy" by Joseph Majkut, Ben Cahill and Ilaria Mazzocco (January 30, 2024)
- Arms Control Association: <u>"Underlying Challenges and Near-Term Opportunities for Engaging China"</u> by Tong Zhao (January/February, 2024)

### What's Happening Around Town?



#### - Past Events -

- <u>US Outbound Investment in China: Implications</u> and <u>Possible Congressional Action</u> February 13 hosted by American Enterprise Institute
- Is the Belt and Road Initiative Reshaping the Global Order?
  - February 12 hosted by Wilson Center
- Is the US-China relationship America's most consequential bilateral relationship?
   February 12 hosted by Brookings
- What is Next for Taiwan?
   February 8 hosted by Center for Strategic & International Studies
- The Taiwan Election: What it means for Taipei, Beijing, and Washington
   February 8 hosted by East-West Center
- The White House and Global Conflict February 6 hosted by Foreign Policy
- How to Deter China Economically with <u>Representative Frank Lucas</u>
   February 5 hosted by Hudson Institute

#### - Upcoming Events -

- <u>Building International Support for Taiwan Report</u>
   Launch
  - February 14 hosted by Center for Strategic & International Studies
- 2024 Prospects for U.S. Ties with China: "Are we partners or are we adversaries?" - The View from President Xi Jinping
  - February 20 hosted by United States Heartland China Association
- China's Gambit: The Calculus of Coercion March 1 hosted by Cato Institute
- Book Launch: The Return of Great Power Rivalry
   March 21 hosted by Georgetown University
- Made in China: When US-China Interests
   Converged to Transform Global Trade
   May 6 hosted by Wilson Center

## What ICAS Is Up To

---Upcoming TnT Program Event –





### Renewing the U.S.-China Science and Technology Agreement. Can S&T Cooperation Coexist with Technology Decoupling?

Thursday, February 20, 2024 9:30am - 10:30am EDT

In late-February 2024, the U.S.-China Science and Technology Cooperation Agreement will expire if it is not signed or extended. The first major agreement to be signed by the two governments following the normalization of ties in 1979, the STA was last renewed in 2018 (and temporarily extended in August 2023). In the time since its last renewal, S&T ties have been battered by a raft of decoupling measures as well as probes by the Justice Department and the National Institutes of Health into Beijing's economic espionage and intellectual property diversion activities. On the other hand, the U.S. and China remain each other's top scientific partners, with collaborative research between American and Chinese nationals being a standout feature among the most-cited academic papers.

As the late-February deadline approaches, can the two sides buck the trend on technology decoupling and renew or at least temporarily extend their STA? How important is it to renew the agreement? What have been its main achievements and what are the chief criticisms levied against the agreement? Where do the negotiations on renewal stand, and what are the key improvements sought? Realistically, what are the chances of a technology cooperation agreement being signed during a charged election year? Broadening the frame, what is the state of U.S.-China S&T exchanges, and how has China's domestic S&T ecosystem evolved over the past four decades? Will the new (Party) Central Science and Technology Commission and its emphasis on self-reliance scramble the prospects for bilateral cooperation? How should the STA be improved to reflect the new maturity, and tensions, in cross-border scientific ties? To listen to these and other answers and insights on pressing U.S.-China S&T policy questions, tune in to the event on February 20.

RSVP Learn More View The Event Program

#### ---Commentary---



# Democracy in crisis: Where is the United States headed? By Denis Simon February 3, 2024

Along with the sharp divisions within government, the American public is also extremely divided and polarized. Things have gotten so bad that many American families agreed that political issues should not be discussed at last year's Thanksgiving dinner table because of fears of arguments breaking out among relatives.

Civil, reasoned discourse has disappeared even among our major news providers. The situation has been exacerbated by social media and the fact that even among the educated population in the United States, it is difficult to distinguish

truth from lies. The very fact that a sizable percentage of the American population continues to believe that Donald Trump actually won the 2020 U.S. Presidential election indicates that if something is repeated enough times and in multiple venues, it will become reality for those who lack critical thinking skills.

How did we get here? Where is the United States headed? And most importantly, is American democracy about to collapse, due to the ongoing politicization of everything in our lives?

Read the Commentary

This commentary was originally released by Xinhua on February 2, 2024



#### ---MAP Commentary---

### 2024-The South China Sea at a Crossroads, More Unilateral Actions Ahead (9DASHLINE)

By Nong Hong February 2, 2024

In 2024, the South China Sea is set to persist as a prominent focal point of contention, amplifying the geopolitical rivalry between the United States and China, as well as among the coastal states in the region. The competition between China and the United States, characterized by the escalation of their naval presence and active participation in military exercises, is anticipated to endure throughout 2024, signaling a sustained and potentially intensifying competition for dominance in the South China Sea. Furthermore, the upcoming year is expected to witness a concentrated surge of unilateral actions marked by the 'assertion of rights' and 'expansion of rights' by



claimant countries... The South China Sea in 2024 is thus poised for continued volatility and complex dynamics as geopolitical forces vie for influence in this strategically significant maritime expanse...

#### Read the Commentary

This piece was originally released by 9DASHLINE as part of a multi-response commentary on February 2, 2024

#### ---Commentary---



#### Securing China-US Relations within the Wider Asia-Pacific

By Sourabh Gupta January 29, 2024

"Every 'world order' expresses an aspiration to permanence," wrote the late and great Henry Kissinger in his 1994 masterpiece "Diplomacy," "yet the elements that comprise it are in constant flux." The current U.S.-dominated global order is no exception. Its hub-and-spoke deterrence architecture in the Asia-Pacific and, for that matter, the foundation and framework of China-U.S. ties, are not set in stone...The present global order is facing multiple threats. While these threats are not inescapable, they must be handled with flexibility and sensitivity...

#### Read the Commentary

This commentary was <u>originally</u> released by Asia Research Institute, National University of Singapore on January 29, 2024 and <u>republished</u> in The Diplomat on January 30, 2024



#### ---ICAS In the News---



On Thursday, February 8, 2024, Distinguished Fellow Denis Simon <u>quoted</u> in *nature* on the slow progress of the U.S.-China Science and Technology Agreement (STA) negotiations.

- "Over the past 45 years, China has developed a stronger global scientific presence, and is now on a more equal footing with the United States than before."

On Sunday, February 4, 2024, Senior Fellow Sourabh Gupta <u>quoted</u> on the IMF's Article IV consultations and assessment of China's economic prospects by *China Daily*.

"I expect the final number to come in closer to 5 percent on the back of greater public sector investment, which would also be near the government's growth target."

On Friday, February 2, 2024, Distinguished Fellow Denis Simon <u>quoted</u> by *South China Morning Post* on the U.S.-China Science & Technology Agreement renewal negotiations.

- "As the two countries' heated geopolitical rivalry threatens years-long scientific collaboration, 'there is no renewal if there's no compromise', and this was 'just the fundamental situation where we are'."

On Tuesday, January 30, 2024, Senior Fellow Sourabh Gupta <u>discussed</u> the Pompeo-Panetta testimony before the China Committee on deterring China on *Scripps News*.

- "China wants to have reasonable relations with the Western world, but not at the expense of punishing and sanctioning the few friends that it has."

On Tuesday, January 30, 2024, Senior Fellow Sourabh Gupta <u>quoted</u> in *China Daily* on the scope for U.S.-China collaboration on Al.

- "The scope for trade-offs is minimal and probably nonexistent. As such, the policy conversation between the two will gravitate toward a lowest common denominator approach on preventing fundamental Al-related harms, especially in the military sphere."

