

## **U.S. Briefing C: A Rising China Challenges American Power, Influence, and Interests**

In this simulation, you will be part of a team of negotiators representing the United States in trade talks with China. ***Your goal is to represent the interests of American national security and to consider the implications of trade and investment with China for the growing strategic competition with the United States*** and to ensure that any agreement reached between the two countries will reflect these interests.

**If no agreement is reached by the end of negotiations, tariffs on \$200 billion worth of Chinese goods will increase from 10% to 25% on March 2, 2019.**

### **China is a Growing Political, Economic, and Military Competitor to the U.S.**

China challenges American power, influence, and interests, attempting to erode American security and prosperity. Beijing is determined to make economies less free and less fair, to grow its militaries, and to control information and data to repress its own people and expand its influence abroad. China's rise requires the United States to rethink the policies of the past two decades—policies based on the assumption that engagement with rivals and their inclusion in international institutions and global commerce would turn them into benign actors and trustworthy partners. For the most part, this premise turned out to be false.

Instead, China's military modernization is targeting capabilities with the potential to degrade core U.S. military-technological advantages. To support this modernization, China uses a variety of methods to acquire foreign military and dual-use technologies, including cyber theft, targeted foreign direct investment, and exploitation of the access of private Chinese nationals to such technologies. Several cases emerged in 2016 of China using its intelligence services, and employing other illicit approaches that violate U.S. laws and export controls, to obtain national security and export-restricted technologies, controlled equipment, and other materials.

In recent years, China's military reforms seek to enhance the People's Liberation Army's (PLA) ability to conduct joint operations; improve its ability to fight short-duration, high-intensity regional conflicts at greater distances from the Chinese mainland; and strengthen the CCP's control over the military. It has leveraged its growing power to assert its sovereignty claims over features in the East and South China Seas. China's leaders remain focused on developing the capabilities to deter or defeat adversary power projection and counter third-party intervention—including by the United States—during a crisis or conflict in the Taiwan Strait.

### **Concerns about U.S. China Trade and Investment Relations**

Because you **represent United States' national security interest**, your concerns are primarily with China's stealing critical technology and dual-use technology through espionage, forced technology transfer (companies, for short-term commercial benefits, can unwittingly give up important pieces of U.S. emergent technology to a rival), strategic acquisition of American high tech firms, and strategic recruitment and placement of talent (e.g. Chinese students in certain technologies).

Every year, China steals U.S. intellectual property valued at hundreds of billions of dollars. Stealing proprietary technology and early-stage ideas allows competitors to unfairly tap into the innovation of free societies. Over the years, rivals have used sophisticated means to weaken our businesses and our economy as facets of cyber-enabled economic warfare and other malicious activities. We must defend

our National Security Innovation Base (NSIB) against competitors. The NSIB is the American network of knowledge, capabilities, and people—including academia, National Laboratories, and the private sector—that turns ideas into innovations, transforms discoveries into successful commercial products and companies, and protects and enhances the American way of life. The genius of creative Americans, and the free system that enables them, is critical to American security and prosperity.

Protecting the NSIB requires a domestic and international response beyond the scope of any individual company, industry, university, or government agency. The landscape of innovation does not divide neatly into sectors. Technologies that are part of most weapon systems often originate in diverse businesses as well as in universities and colleges. Losing our innovation and technological edge would have far-reaching negative implications for American prosperity and power.

The United States must reduce the illicit appropriation of U.S. public and private sector technology and technical knowledge by hostile foreign competitors such as China. While maintaining an investor-friendly climate, this Administration should work with the Congress to strengthen the Committee on Foreign Investment in the United States (CFIUS) to ensure it addresses current and future national security risks. The U.S. should prioritize counterintelligence and law enforcement activities to curtail intellectual property theft by all sources and will explore new legal and regulatory mechanisms to prevent and prosecute violations. It should strengthen its own export-control regime to prevent high technology products with military applications to be exported to China. The U.S. should also review visa procedures to reduce economic theft by non-traditional intelligence collectors, including restrictions on Chinese STEM students to ensure that intellectual property is not transferred to our competitors. Last summer, the White House already reduced the duration of visas for Chinese graduate students studying certain technologies and is now considering further restrictions. Finally, the U.S. must encourage practices across companies and universities to defeat espionage and theft.

### **Formulating a Negotiation Strategy: Protect the U.S. National Security Innovation Base**

China is a dangerous rival that is stealing critical technology and dual-use technology. American companies must not unwittingly undermine the foundations of U.S. technological and military superiority for paltry short-term commercial benefits. The U.S. government must be vigilant to push back against Chinese cyber-espionage and be vigilant against state-backed efforts to acquire emergent U.S. technologies under the cover of normal trade and investment. At the same time, the U.S. must uphold American values and honor U.S. commitments to allies in the Indo-Pacific.

The United States should insist that China commit to a code of conduct that would be more favorable to the long-term balance of power in the Indo-Pacific. The U.S. should not bargain away its sources of long-term strategic competitiveness or turn its back to long-standing friends to reach a trade deal with an emerging adversary.

## Policy Recommendations

### High Priority Asks (20-40 Points)

1. **Cease government-sponsored or tolerated cyber espionage and intrusions** into U.S. commercial networks (China has abandoned the “hacking truce” negotiated under the previous U.S. administration since trade tensions escalated in 2018, this ask simply calls on China to honor its prior commitments as part of any new agreement)
2. **China to help identify and discourage Chinese firms that evade U.S. sanctions against Iran and North Korea** (companies such as Huawei and ZTE have violated American sanctions against Iran and North Korea, the U.S. has refrained from putting sanctions on these companies as a gesture of good will to China during trade talks but can revisit the option in future)
3. **China to refrain from military development of man-made islands in the South China Sea**, commit to not occupy other contested shoals, and agree to establish confidence building measures to lessen the risk of accidental military conflict (China’s militarization of outposts in the South China Sea that endanger the free flow of trade, threaten the sovereignty of other nations, and undermine regional stability)
4. **Strengthen intellectual property protection, trade secret protection, and counterpiracy enforcement** (again these practices hurt innovative U.S. firms while helping their Chinese competitors)

### Low Priority Asks (10-20 points)

5. **Establish a high-level dialogue to discuss dual-use technologies** and how both sides can establish guidelines that would allow for managed trade and export-controls in this area (dual-use technologies are civilian technologies that could also have military applications, the U.S. seek a commitment for China not to steal dual-use technology while strengthening its own export control regime)
6. **Eliminate specific policies and practices linked to forced technology transfer** (foreign companies should not be forced to surrender technology through mandatory joint venture agreements when operating in China, these practices hurt innovative U.S. firms while helping their Chinese competitors)

In exchange, the US can offer concessions such as:

### Major Concessions (-20-40 points Individual Points)

1. **The U.S. can agree to take a more limited approach in defining its export control regime regarding the export of dual-use technologies**
  - a. The U.S. export control regime is an important safeguard to prevent dual use-technologies (civilian technologies that could also have military applications) from falling into the hands of a strategic rival
  - b. **Lift bans on high technology exports such as integrated circuits and aircraft to China** (these products are important to China’s military industrial complex and could bolster the People’s Liberation Army’s effectiveness and pose a danger to U.S. national security)
2. **Give equal treatment to Chinese companies in national security review** (the Committee on Foreign Investment in the United States (CFIUS) foreign investment review process protects the U.S. military-industrial base from Chinese government-sponsored investments, it is an important bulwark to preserve the U.S. lead in advance dual-use technologies)

3. **Agreeing not to send warships or military personnel to Taiwan** or to conduct military exercises with Taiwan in return for Beijing not to undertake provocative military actions in the Taiwan Strait (the U.S. has a commitment to help Taiwan defend itself under the Taiwan Relations Act but recognizes that the future of Taiwan be peacefully decided by the peoples of both sides of the Strait. The national security ramifications of abandoning Taiwan are massive; the U.S. should not jeopardize its credibility with its allies over a trade dispute with a rival.)
4. **The U.S. to recognize core Chinese national interests:** keeping national unity of mainland China and Tibet, Xinjiang, and Hong Kong is very important to Beijing but problematic for Washington from the perspective of human rights (this concession would likely include a pledge not support the Hong Kong protest and desist from blacklisting Chinese companies over Xinjiang human rights abuse allegation)

Minor Concessions (-10-20 points points)

5. **Open government procurement to Chinese technology products and services** (the U.S. government is the largest customer in many sectors, another important part of reciprocal market access is to open up government procurement to foreign competition)
6. **Refrain from restricting visas for Chinese students and professionals** (many Chinese study and work in the U.S., even though some have been linked to espionage and political meddling, the U.S. can promise to deal with these cases through law enforcement rather than adopting a “whole of society” approach to the problem)

You have no position on the following issues (will not lose or gain individual points):

Asks

1. **Reduce the trade deficit between China and the U.S. by \$100-200 billion by 2020**
2. **China to issue an improved nationwide negative list for foreign investment** and allow the U.S. to identify existing investment restrictions that deny U.S. investors market access
3. **Remove or reduce investment restrictions identified by the U.S.** on a timetable to be decided by both nations
4. **Eliminate laws and regulations, such as licensing or procurement, that treat foreign entities less favorably than domestic Chinese firms,** whether private, state-owned or state-controlled

Concessions

1. **Reduce tariffs on Chinese imports to 2017 levels** (there are currently 25% tariffs on \$50 billion and 10% tariffs on another \$200 billion of Chinese imports and retaliatory tariffs of 10-25% tariffs on \$110 billion of U.S. imports, the national security implications of these tariffs are unclear)

**Win Conditions:**

Agreement is considered reached when ALL members from BOTH country teams sign the **Joint-Statement** paper

*Individual Victory:* The individual who has the **best negotiation performance, most optimal individual demands and concessions** with regards to the **best individual points ratio** on the **Position Paper** will be declared winner as the individual negotiator. This can occur regardless of which team wins, and regardless of whether agreement is reached or not. (Moderator will take in consideration of each individual role)

*Team Victory:* The country team with the most National Points will be declared winner of the Simulation. This can only occur if agreement is reached.

*Impasse:* If no agreement is reached by the end of negotiation, both country teams will receive -20 National Points. Moderator will then determine which country team is ahead based on National Points negotiated at that time. Individual victory is still possible under impasse and preferable to making costly concessions to achieve team victory.