

China Briefing F: The United States is Seeking to Contain a Rising China

In this simulation, you will be part of a team of negotiators representing China in trade talks with the United States. ***Your goal is to represent the interests of Chinese national security and to consider the implications of trade and investment with the U.S. for the growing strategic competition with China*** 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%.

The Trade War is the beginning of a new “Cold War” between China and the West

China is now the world’s second largest economy. In spite of China’s pacifist foreign policy stance and commitment to win-win cooperation, the United States increasingly views China as at a threat and challenge to its status as the current global hegemon. In post-war history, the United States acted quickly to constrain countries whose national powers begin to show signs of catching up to that of the United States (e.g. US’ trade policies toward Japan in the 1980s).

The current trade war is beyond two trading partners disputing the gains and losses from economic cooperation. It is a contest where the current hegemon and a rising power compete for dominance over the world economic system of the next century and the United States’ latest strategy to contain China’s rise in this system.

There are several considerations in this strategic competition between the United States and China:

First, China’s overall capabilities are still lower than those of the United States. Directly challenging the United States now will be to China’s detriment. Second, China is currently disproportionately dependent on United States than United States is on China. China sends nearly 20 percent of its exports to the United States (China only accounts for 5 percent of US exports). However, China has enormous domestic market potential, one sixth of the world’s population, and many partners around the world and does not *need* the United States to sustain a robust economy in the long run. Third, the US-China rivalry is to stay for the long haul. China must aim to enhance its capabilities vis-à-vis the United States in the long run even if it must make some concessions in the short run.

It is also important to keep in mind that, in this trade war, the United States is the aggressor. For China, Made in China 2025 (MiC 2025) is a long-term national economic development plan, but the U.S. believes that this plan is a threat because it may enable China to surpass the United States in critical technologies. American unilateralism and rising trade protectionism are forcing China to take the road of *self-reliance*, particularly in developing its own strategic and emergent dual-use technology in artificial intelligence, quantum computing, and robotics.

In addition, the United States continues to withhold its support for China-led global initiatives such as Belt and Road and Asian Infrastructural Investment Bank. It also interferes with China’s core interests on issues such as Taiwan and legitimate territorial claims in the South China Sea and East China Sea. In sum, the trade war is only the latest ammunition in the United States’ multifaceted strategy to contain China.

Concerns about U.S. China Trade and Investment Relations

Because you represent the national security interest in China, your main concerns are to reduce China's disproportionate economic dependence on the United States, increase China's self-reliance, advance China's techno-industrial capabilities in **preparation for a continued rivalrous relationship with the United States** while avoiding direct confrontation or military conflicts:

China should seek out ways to gain a competitive edge in its rivalry with the United States without engaging in needless confrontation. Put simply, China must avoid confrontation with the U.S. in the short run while building its capabilities to prevail over the U.S. in the long run. This is a delicate balance to keep: On the one hand, continued engagement with the United States can help reduce direct confrontations and military conflict; on the other hand, China must make sure that this continued engagement does not harm China's national interest.

China must continue to strengthen its national power through continued growth and strengthen the technical sophistication of its military capabilities more specifically. Industrial policies that support emerging strategic industries play an important role in the success of this strategy. China must invest in indigenous innovation and develop its own advanced technologies in order to gain a competitive and tactical advantage over the United States in the long run. Accusing China of economic espionage, practicing forced technology transfer, abusing industrial policies, and effectively banning Chinese investments' in American high-tech industries are all actions to prevent China from developing its own techno-industrial base and to contain China's rise.

China's best answer to the attempt by the United States to contain China is self-strengthening and self-reliance. We must remember that, opening up markets is a means to an end and not an end in itself. China should pursue economic liberalization only if it serves national objectives. Some concessions probably are necessary to reduce tensions with the U.S. but we should be careful that these do not undermine China's long-term national development and security.

Formulating a Negotiation Strategy: Increase Self-Reliance and Maintain an Edge in Competition with the U.S.

China should remind the United States that reducing tariffs to 2017 levels serves the interest of both economies. It should be prepared to make limited concessions to achieve this goal. But China should NOT support any deal that would eliminate the state's ability to support emerging industries and promote innovation through industrial policy.

Minor Concessions (-10-20 points points)

1. **Increasing imports of American goods without undermining China's food and energy security** (such a purchase agreement would help Chinese consumers by lowering prices and help reduce the trade deficit between the U.S. and China but risk greater Chinese dependency on the U.S.)
2. **Strengthen intellectual property protection**, trade secret protection, and counterpiracy enforcement (these policies strengthen the rule of law in China and protect all innovative and productive companies, whether they are American or Chinese)
3. **Reform specific policies and practices linked to forced technology transfer** (the new Foreign Investment Law passed in March 2019 already contains language that make it illegal to force foreign companies to surrender technology to Chinese partners)
4. **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)

Major Concessions (-20-40 points Individual Points)

1. **China should NOT support any deal that would eliminate the state's ability to support emerging industries** and promote innovation through industrial policy (MiC 2025 may need to be walked back, but the government must not surrender the right to use subsidies and regulations to promote domestic industries and develop cutting edge technology)
2. **Cease government-sponsored or tolerated cyber espionage and intrusions into U.S. commercial networks** (China negotiated a "hacking truce" under the previous U.S. administration but this lapsed since trade tensions escalated in 2018. The U.S. has superior cyber-offensive capabilities than China, cyber-arms control must not be unilateral. China should not repudiate a source of asymmetric advantage unless the U.S. also pledges to reduce state-sponsored hacking.)
3. **China to refrain from military development of man-made islands in the South China Sea** (The South China Sea islands are sovereign Chinese territory and vital to Chinese national security. The U.S. should abide by its official position of not taking sides in disputes in the region and cease its meddling in Chinese internal affairs)
4. **China to help identify and discourage Chinese firms that evade U.S. sanctions against Iran and North Korea** (companies such as Huawei and ZTE stand accused of violating American sanctions against Iran and North Korea. China can help the U.S. on nuclear proliferation as a source of leverage in negotiations but must be mindful of the political costs.)

In exchange, China should demand the following concessions from the United States:

High Priority Asks (20-40 points)

1. **The United States should recognize core Chinese national interests**, respect Chinese sovereignty and territorial integrity, and endorse the "new type of great power relations" formulation
2. **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, these tariffs hurt consumers and businesses in both countries and should be walked back as part of any deal)
3. **U.S. should refrain from sanctioning Chinese firms such as Huawei and ZTE** (the U.S. has accused Huawei and ZTE of violating American sanctions against Iran and North Korea and threatened to deny them access American made components and blocked them from American markets, China should seek reciprocity in fair treatment of Chinese firms in the U.S. if it grants greater market access to U.S. firms in China)
4. **The U.S. can agree to take a more limited approach in defining its export control regime** regarding the export of dual-use technologies (the U.S. export control regime is under review at present and the U.S. can take steps to reassure China that it will not be abused to ban most or all high technology exports to China but limited to those that have important military applications)
5. **Give equal treatment to Chinese companies in national security review** (Chinese investors worry about the expanded power of the Committee on Foreign Investment in the United States (CFIUS) foreign investment review process would be used to block Chinese investments in the U.S., a promise not to abuse the national security review process is an important part of reciprocal market access)

Low Priority Asks (10-20 points)

6. **Agree 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 (Taiwan is part of China and the U.S. recognizes that the future of Taiwan be peacefully decided by the peoples of both sides of the Strait, to this end, the U.S. should not to take provocative actions such as stationing military personnel in Taiwan if China promises to do the same)
7. **Lift bans on high technology exports such as integrated circuits and aircraft to China** (these products are important to China's economic development and lifting export bans would also be profitable for U.S. producers of these products)

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

1. **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 vast majority are law abiding and want to become U.S. citizens. Reversing this brain drain of talent leaving China for the U.S. could be a silver lining of the trade war)
2. **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)
3. **China should issue a limited negative list for foreign investment that reduces barriers of entry for foreign investment by placing restrictions on foreign ownership in fewer sectors** (the negative list sets apart some sectors that are not open for foreign investment. China fight for a longer negative list because opening up more sectors to investment by U.S. companies will increase economic pressure on domestic companies and risk giving foreigners control over the Chinese economy)

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.