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QI Panel:

President Xi Goes to Washington: Building Stability or Merely Postponing Conflict?

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Kelley Vlahos

Good afternoon. My name is Kelley Vlahos, and I am the editor in chief of Responsible Statecraft, which is the foreign policy magazine of the Quincy Institute, which is hosting our event today, entitled "President Xi Goes to Washington, building stability or merely postponing the inevitable. I am so honored today to be hosting or at least moderating this panel. We have we have a selection of fantastic experts in the realm of Chinese and U.S. foreign affairs, the relationship, and we. If you don't know much about the Quincy Institute, if you're a first timer on one of our events, we are an action tank based in Washington D.C. that is dedicated to reorientating U.S. foreign policy away from military primacy and war, and more towards diplomacy and cooperation for the peace of the globe as well as U.S. foreign-I mean U.S. interests-and so we are happy to be hosting this today.

And you know, let's get started. I mean, the president is expected to meet with China's President Xi Jinping on Thursday here in D.C. There is a much anticipated. This is a much anticipated summit of the two most powerful leaders in the world right now. Two last met in Beijing in May in what was called a leveling moment for both sides, but at that time the U.S. war in Iran was a mere three months old. It is now nearly seven months, and a major shipping artery, the Hormuz Strait in the Persian Gulf, is still closed. Oil markets, as a result, are going haywire, and yet another Gulf choke point has been shut by the Houthis in an expansion of the war in the in the Red Sea. Trump is in no position to raise the stakes with China, which has kept oil prices down and in part by using its own reserves until now. But between the U.S. bond yields hitting a high not seen since 2007, escalating U.S. debt, depleted munitions, and skyrocketing gas and diesel prices. The administration cannot afford to keep threatening China, and China knows it. So, what is expected today for this upcoming summit? The two sides are still working out an extension of the tariff truce.

For one, discussing weapons to Taiwan might be another. Everyone is talking about AI and whether the two nations could come together to build or put guardrails on this technology. Our panel today, however, will talk about what is actually possible given the geopolitical dynamics as well as the pressures right here in Washington that continue to press for more aggressive policies against China, we'll talk to three experts about what they are looking at today, what they expect to come out of these discussions, and what the Trump administration might do to put the relationship on a better footing, if that is even possible.

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So let me introduce our panelists. Alvin Wang Graylin is a senior fellow on technology at the Asia Society Policy Institute Center for China Analysis, a digital fellow at Stanford University's Institute for Human Centered AI, and a lecturer at MIT. Jake Werner is my colleague here at Quincy as the director director of our East Asia program. Prior to joining Quincy, Jake was a postdoctoral global China research fellow at the Boston University Global Development Policy Center and a Harper Schmidt Fellow at the University of Chicago, and Paul Heer is a senior non-resident fellow at at the Chicago Council on Global Affairs. He served for 30 years as a specialist on East Asian affairs in the U.S. intelligence community, as as well. Is on the staff of the president's daily brief and a member of the senior analytics service at the CIA.

So welcome to the three of you. Looking forward to this discussion. We got about an hour ahead of us. I'm thinking maybe Jake. I will start with you. Can you give us a sense of where the relationship, the the U.S. China relationship, as well as the Xi Trump relationship, stands right now, and how it got to this point. So maybe just a little bit of scene setting on whether it be the escalation between the two on the on the tariff issue, the continuing restrictions on both sides, and the importance of top level this top level meeting to to hold things in check.

Jake Werner 5:55

Yeah, it's sort of hard to remember because this happened more than a year ago, but in April it looked like the U.S. and China were headed for an out-of-control economic warfare. This was after Trump's Liberation Day when he put tariffs on everybody. China was the only country to retaliate, and it retaliated directly in proportion to Trump's tariffs. And Trump was furious about this. He he raised tariffs up through several rounds of back and forth. They ended up at 145% on the against China, and and if we had stayed there, that just would have cut off the relationship overnight. This is one of the most important economic relationships in the world, major trading partner, and and the U.S. and China are, of course, the basis of sort of finance and trade in the global economy, and it took and and at the same time, then Trump for temporarily wound down the tariffs against everybody else.

So it looked like Liberation Day had turned into a directed attack against China, and at that point, then China used its rare earths weapon. So the it's it's Chinese companies that dominate the the processing of rare earths. China cut off exports to the United States, and and these are essential in high technology production, including much manufacturing that that the U.S. does have, as well as military applications, and and in short order, American car factories started to shut down. So that brought Trump right back to the table, and very quickly they they wound down that entire escalation, and we got to this sort of unstable truce, where both sides basically went back to where they were before, and they said, "Well, we're we're not going to engage in outright warfare, but under the surface now, ever since then, there has been this back and forth where both sides are expanding their power to attack the other. Both sides are engaging in low-level restrictions, but clearly antagonistic restrictions on technology, on companies on both sides, on research.

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So now the the the Office of Management and Budget under Trump has issued a restriction that will basically cut off all research collaborations between the United States and China if it goes forward at the end of the year. And so it's these kinds of clearly hostile acts back and forth that are kind of under the surface that belie the seeming calm in the relationship, and we have had the seeming calm since Trump and she made their first meeting of Trump's second term last November in Busan, South Korea.

The question coming at us now is: Can can that truce survive this back and forth? Can it survive the the anger on the Chinese side that the United States attacked Iran and is disrupting the entire global economy. Can it survive the the anger on the U.S. side that China is a lifeline for Iran? Can it survive the sense of of hostility that really permeates Washington about China? The sense that we we should be organizing against China, not not looking for coexistence. These are these are the big questions, and whether the series of meetings between Trump and Xi can give us a solid foundation for the relationship, so that it doesn't spin out of control again, or if we're just kind of preparing for some future crisis, and both sides are kind of biding their time and building up their power to try to win that future confrontation.

Kelley Vihaos 9:24

You make an excellent point, Jake, and I know you and I have talked about this offline, and you also have an excellent piece I would call a curtain raiser about the upcoming summit in Responsible Statecraft today, talking about this rotting diplomatic foundation that serves as the stage for that meeting on Thursday, one of your concerns seems to be that, despite, like you said, Trump putting on a face of real, you know. Outreach. He's been a lot more gracious in terms of how he talks about Xi Jinping and about China.

As you said, that the last meeting kind of set the tone there. There's all this other business going on in Washington that flies in the face Of that, you know, convivial or the setting of a more convivial tone, and you talk about how the agencies and Congress have been aggressively pushing for more restrictions and more, you know, penal approaches to China. Can you talk a little bit about the pressure that that Trump is feeling at his back in Washington that might poison the well for a more constructive meeting on Thursday?

Jake Werner 11:00

Yeah, you can just look at the last last week. Congress convened a whole series of hearings specifically meant to denounce China and discredit China on human rights, on democracy, on trade, on security issues. And and if you listened into any of those hearings, it was like we were in an age of bipartisan harmony because the members on both sides, the witnesses on both sides, they all had this sense that China is our enemy. We need to figure out how to separate ourselves from China. We need to figure out how to restrict Chinese power. There, there was a meeting of the Select Committee on China, where one of the members actually raised explicitly: should we have a confrontational relationship with China, or should we try to cooperate with China? And the answer of both Democratic and Republican witnesses was: we should have a

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confrontational relationship with China. There's nothing we can. There's there's no common interest between us.

And that that's sort of the the sense in the foreign policy community as well. You see, if you look at the the Journal of the Foreign Policy Establishment, Foreign Affairs, there are multiple articles, nearly every issue that talk about how we need to be rebuilding our alliances around restricting China or or cutting out China in one way or another. So this, if this were put into practice, and and there are real questions about the practicality of these proposals, but if it were put into practice, this would be very threatening to China, and China would likely strike back, and and and we could get another one of these escalatory spirals that further poisons the sense of the possibilities in the relationship on both sides.

So it's that kind of a now. Trump doesn't care about conventional wisdom. He doesn't care about what the what the conventional experts are saying, and and it should be noted that China experts do not, by and large, agree with this approach to China. It's really the foreign policy establishment in D.C. And it should also be noted that the American people do not agree with it. And we've had a series of polls over the last year that show Americans think we should be focusing on cooperation with China and not on limiting China's power.

So there is a real disconnect between kind of the the locus of foreign policy making in D.C. and between, say, China experts, the rest of the country, regular Americans. The the thing that is kind of balancing all this is that Trump just dominates foreign policy making for this moment, but his own administration is issuing these restrictions on China, so it's not even just the Trump administration against the foreign policy establishment. It's really Trump against kind of the entire foreign policy apparatus.

Kelley Vlahos 13:32

Yeah, and hasn't it always been that way? Even from the beginning, the the first Trump administration, he had hawks on one shoulder, who were like the Mike Pompeo types, who were ideologically driven to see China as an adversary, and then he had the business community that wanted to keep those channels open. So there was this constant balancing. I just wanted to mention to the audience: if you do have any questions for us, please put them in the chat. We'll try to to get a few in the Q and A and maybe the last 15 minutes or so. So, and also for my for my panelists, I forgot to mention this in the the green room. But if if you want to jump in on any of these questions, please just give me a two finger. I can I can see I can see you and we can just make this as as conversational as possible.

You know I love the idea of the the disconnect because I think that there's a glaring disconnect between Washington, all those hawks in Washington, and what's going on on on the world stage. And and Paul, you know, I wanted to talk to you a little bit about that. You know, the New York Times is saying today that that Trump enters this summit in a much diminished, weakened position, and it's not difficult to see why. You know, he's stuck in this war of his own choosing, in which global shipping and, in particular, in in particular, oil supplies have been vastly. Affected

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U.S. allies in the region are smarting from Iranian reprisals. Saudi Arabia, especially, has been begging the U.S. for help and in these the new Houthi attacks. And Trump has so far refused to say that that U.S. influence in the region is is is somewhat evaporating, maybe an understatement.

Meanwhile, China, you know, their presence in New Delhi at the BRICS and other bilaterals with world leaders show that it continues to to to provide a more diplomatic presence, a more temperate voice. They're they're eagerly enjoying conversations about shifting power centers away from the West and providing leadership to nations that have have been sanctioned by the West and or left vulnerable by the United States. Jean Francois Sznick said in in a RS piece just today that Bush that comparing Bush's war that helped to hand Iraq to I mean to help hand Iraq to Iran Trump's war might be handing the Gulf and above all Saudi Arabia to China. How how are these dynamics playing into the summit tomorrow?

Paul Heer 16:23

That's a very good question with many layers to it, and I think it comes back to the point that Jake made about the the centrality of Trump to this. I mean, you know, you mentioned the New York Times article this morning, which basically is purveying one of the narratives that we've seen in the run up to the summit, which is that Xi Jinping is coming here with confidence and belief that time is on its side, that he has the balance of leverage.

That's one side of the equation. I don't think Trump subscribes to that framework at all, and I'm not sure that that's exclusively the perspective that she is bringing. It is kind of a reflection of the dichotomy that Jake mentioned between Trump's perspective on these things, and frankly, either the Chinese or other folks in his administration's perspective on these things. Jake mentioned this inconsistency between whatever strategic direction is being formulated toward China within the administration and what's formulating in in Trump's head? I agree with the kind of trajectory and the narrative that Jake outlined about the the kind of well the the truce and the relationship, the ceasefire.

But I think the interesting thing that I would interject here is the you know this past spring when Trump visited Beijing, a new kind of chapeau, kind of a countervailing chapeau, was was placed over top of the relationship. When the two sides came out surprisingly and agreed that what we needed to do to sustain this relationship and posit the momentum in it is to pursue constructive strategic stability, which was this formulation, that now is it's it's largely attributed to the Chinese, but the Chinese claim that it originated in part on the U.S. side, and it's really kind of interesting because the fact is that what we've seen over the last several months is very little process toward putting meat on the bones of what that's supposed to mean, and I think that's going to be thematically part of the of the summit.

But I'm not sure that a lot of progress is going to be attained there because I think it gets to the point that you raised originally, what both of you raised this narrative that Xi Jinping, well, that Kelley that you raised, that Xi Jinping thinks he has the the balance of leverage and the upper

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hand, and time is on his side of the relationship. I think that the divergence of views on that balance is really the primary obstacle to progress toward kind of giving structure and substance to constructive strategic stability, because I think Trump does not subscribe to the narrative that you outlined that she has the upper hand. I'm pretty sure that Trump believes that he has the upper hand in the relationship and is in a stronger position to dictate the terms of the relationship.

But to me, what that basically represents is that both sides are essentially focused on maneuvering per position, trying to sustain an advantage of without being forced into making substantive concessions in the relationship, particularly on the occasion of the summit. Which is why, and well, I guess we'll come to the prospectus later. I don't think this summit is going to be very much about substance.

Kelley Vlahos 19:47

Yeah, and I guess for you know, in practical terms, from what I've been reading, you know, she is going to come to this meeting in part. I mean, there we have a host of issues. We're going to get to them on the call, but in part. He wants to see this war end because obviously it's impacting the Chinese economy in myriad ways as well as the the global economy. So his ask would be, hey, can we hasten the diplomacy? Can we get this strait opened? And then Trump comes to the meeting from what I'm reading, hoping to push China to stop buying Iranian oil. He's gone so far as to just sign a new sanctions bill that would slap more sanctions on Russia and those buying Russian oil, but as well as Iranian oil, of which China buys some like 1.4 million barrels a day, is that even possible? I mean, it doesn't sound like it, Paul. That it's possible that either side is going to get what they want on that score, but I would imagine that they, you know, at the very least, might just sort of like, you know, make their case and move on.

Paul Heer 21:04

Yeah, I agree. I don't think either side is going to get much of what they want on Iran because I don't think that either side is going to push very hard on Iran. You mentioned that Trump could push Xi for more assistance, more pressure on Tehran, for example. But he, if I recollect, he didn't really do that when they met in Beijing. So I don't think that. Well, the bottom line is I don't think Iran is going to be dealt with very substantially at this summit. It's not clear whether Trump is gonna make an issue of it. I think that they'll both repeat their talking points, particularly on Xi's side, but I think it's going to be kind of part of the background noise. They'll probably be, you know, if there is a joint statement, or they'll talk about, you know, a mutual desire to bring the thing to a close.

Kelley Vlahos 21:56

Right.

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Paul Heer 21:56

But I just don't think it's going to be a major major factor during the meetings this week.

Kelley Vlahos 22:02

Well, let's move on to another exciting issue: AI. Alvin, you just published an excellent brief for the Quincy Institute entitled "The Wrong Race: The U.S. China, and AI Competition. The summit on Thursday is coming at a time when doom saying about AI technology is reaching a fever pitch. Former Anthropic researchers have predicted that AI spells the end of the human race, and Anthropic's own Evan Hubinger wrote that we quote really do earnestly believe AI could kill all humans, greater than 10% within a decade. As your conversation recently with Marcus Stanley, who of Quincy Institute early this month seen on YouTube, which I recommend to anybody watching.

As you guys pointed out, there is there is a race for AI domination that has pitted U.S. and China against each other, you have described it as expensive, non-productive, and akin to the nuclear arms race in some ways, but not all. During the Cold War, there's also talk of global regulation. Earlier this week, Secretary Besson said he was talking to his Chinese counterpart ahead of the summit about an incident alert mechanism for AI crisis controls. Lots to unpack here. Can you talk about the key issues under discussion that might be under discussion on Thursday, and the role of doomerism and domination talk on how that plays in in any constructive conversation that the two might have on Thursday.

Alvin Wang Graylin 23:55

Yeah, this this is definitely the the topic of the hour in the news and media these days. And you know, last week with the the I guess resignation of one of the anthropic staff who kind of brought this to fore, I I think we need to kind of separate the the doomerism issue from the geopolitical issues. The good news is over the weekend, Bessen and his team actually met with Kelley Fung and his team. About half of the discussions were related to AI, and they came out and at least Bessen gave a very relatively positive description of what what what happened. And they have agreed that there will be essentially a red phone hotline or incident hotline of anything that relates to national security that both sides will tell each other, which which I think is a very positive development.

And you know, we we really don't want kind of false attributions to escalate. Conflict beyond what it could be, and these schools now are becoming more and more capable of creating national security level incidents. The other thing that has been agreed to, it seems, is that there will be a follow-on discussion at the APEC summit in Sinzin in November, which I think actually is quite appropriate and gives enough time for more offline discussions to happen. In fact, just having these two agreements around AI is already, I think, a successful outcome. Not to you know take away from what might potentially come out of a Thursday discussion. You know,

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there there were already a number of kind of track 1.5, track two, and maybe even some track one discussions prior to what happened.

Kelley Vlahos 26:00

Did he freeze, or is it just me? Okay. We okay. Well, well, we we'll get back to Alvin on that issue. Jake or or Paul, anything that either of you want to weigh in on on any of the AI stuff before Alvin gets back, in terms of how important that issue might be to this particular conversation, because it is pretty fraught and it is pretty complex as well?

Paul Heer 26:33

I actually I'd add just a couple thoughts. I mean, I agree with Alvin and the brief that he wrote about how AI has become a zero-sum competition issue, and it cannot and should not be. I just think you know the general point is that I think AI is clearly now becoming one of the maybe the most important areas where it is imperative that Beijing and Washington find ways to cooperate in the face of mutual challenges and mutual risks and mutual interests, but unfortunately, I think it's also a great example of exactly why a zero-sum mindset on either one or both sides and this focus on competition and mistrust and the misattribution of motives is going to be very hard to overcome in pursuit of that, and I think it gets back to the point I made earlier that you know the two sides are basically engaged in this competition for leverage, and I think it's going to be a major obstacle. Then we have it all back.

Alvin Wang Graylin 27:37

Sorry, I don't know what happened by by completely rebooted in the middle.

Kelley Vlahos 27:42

No, that happens to a lot of Quincy people. You know, we have a lot of security on our on our laptops, and if we don't address it right away, they'll just reboot us. So, well, we we were keeping your mic warm.

Alvin Wang Graylin 27:57

Where where did you lose me just now?

Kelley Vlahos 27:59

I am not sure, Jake or Paul. I mean, I I think we were talking about the the positive nature of like Bessent's announcements, and I think that you know. So you were saying like these are very good signs. Yeah, they're very good signs.

Alvin Wang Graylin 28:19

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Yeah, yeah. Considering what you know has been in discussion the last few weeks, where you know we're escalating export controls and you know preventing international data centers from hosting Chinese training, we're talking about making chips harder to to to acquire. You know there was accusations of distillation attacks. You know, and so there was a coming up until this week. There was a lot of negative sentiment out there, but the the fact that they kind of were able to come to some some positive outcomes over the weekend, I'm glad that they did not let these both sides did not let these these you know prior discussions affect a a rational outcome.

Kelley Vlahos 29:04

Can you talk a little bit about the the zero sum competition piece of this? What do you what do you think are the biggest indicators and the most dangerous developments in this realm, in terms of like how each country, each government is is treating the other. I know that Jake probably has something to say. He pays a lot of attention to what's going on the Hill about how Congress is is might be making it more difficult or trying to make it more difficult for China to to build out its AI technology, can you talk a little bit about the race itself?

Alvin Wang Graylin 29:46

Yeah, I think that the the race narrative is actually one of the most dangerous things out there because it is creating a false narrative that, and particularly what you said as a zero sum game, and whenever anything. Is a zero sum game, and the belief that it is a winner takes all game, then people will do whatever it takes to to win. And this technology, as it has developed over the last several decades, is clearly it's a it that the value to the civilian use case is much much higher than any national security use case, and it and the world as we know over centuries has been a positive sum game.

So we we need to kind of separate these assumptions from where where things are, and this actually goes back a little bit to the doomerism question you had in the beginning, which I kind of I forgot to answer, which is you know the belief that this we will get to AGI, the artificial general intelligence. That artificial general intelligence will improve itself through something called RSI, recursive self improvement, which allows it to get to this ultimate destination of ASI, artificial superintelligence, and this superintelligence becomes essentially the next nuclear bomb. It is that the the omnipotent power that essentially gives any nation that possesses it the the the capability to dominate the world forever.

Right, and I think that that narrative is actually not realistic and not representative of what we understand it to be, and if it does possess that, it would actually probably provide it to the lab who who develops it first, or maybe to the AI itself, who then becomes this runaway agent. I mean, in in either of these scenarios, or the scenarios of somewhere in between where you have very capable tools that gets in the hands of bad actors. All of those scenarios actually require us to work together, versus any one country racing to it, which is what's happening today. And the racing is really much more happening on the U.S. side than on the Chinese side, in the sense of you can see that China has actually installed the most rigorous regime of AI

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regulation of any country in the world, including more rigorous and more enforced than the European Union, which is hard to believe.

But and and they've they've done it over multiple years and have reviewed over 700 models from various developers, and it hasn't slowed them down. I think that's also something we need to realize: is that regulation and innovation are are not conflicting with each other. You can have safe and responsible innovation at the same time as creating progress. And and right now, China is much more focused on how do we create a a good enough AI that is then turned into open source, which can help the Chinese economy grow, versus trying to really focus on a national level to create this super AI, which seems to be much more the the U.S. strategy.

If you look at the American AI Action Plan, or you know the the various documents that have come forth, and even the the Pac Silica plan is really focused on how do we preserve U.S. you know dominance in this space both throughout the AI stack, whereas Chinese documents that have recently come out is really focused on how do we make AI a global public good that is then shared with the rest of the world, and you can see by the actions of both the the labs and the and the countries that they are actually fairly consistent in in in that action and the recent World AI Conference Cooperation Organization, their plan to essentially create you know 5000 education centers around the world to teach people about AI and help Global South start to use more AI and provide infrastructure.

I think those are the type of things that are fairly consistent with with the plans that they've provided, and they've even the Chinese government have actually even slowed down their own labs by preventing them from buying the authorized h2 100 chips that the U.S. government has allowed them to buy because the Chinese are saying they want to be less reliant on America, which may take away these technologies any time, so they want their own kind of I guess sovereignty over technology.

So, so I I think this this narrative of zero sum game is a is a is a bad way to describe what's out there, and and you know we we really need to flip this around to say you know the the real danger is not a state versus state action, which has been in balance for over 80 years, that the real danger is really much more the bad actor risk, which is a shared common risk, and we need to work together to solve that.

Kelley Vlahos 34:53

And and I mean, we're talking you know pretty much in the weeds here. There's so much to be done. I mean, how deep or or do they talk at any, I don't know, level at all about this on Thursday? Because I know the press wants to talk about AI, but I don't know how far these two can go in this vast space.

Alvin Wang Graylin 35:18

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Yeah, I think neither of them are really AI experts, and they're not going to be able to talk details. But the the reality is that there are very smart people who have prepared for a long time for these discussions and have you know either pre or post meeting discussions. And you know the fact that we they have agreed to have a a follow on meeting is already a good sign because both sides are seeing value. If there wasn't value, there would not be a follow on meeting. So you know that that was not the case. You know in 2024 with the the the prior AI discussion that really nothing there was no follow on, and and so you know the fact that there is a follow on means that there will be experts put into these places, and they will get into the weeds because there's a lot of technical issues around this that most politicians don't understand and really don't probably don't need to learn to understand.

Kelley Vlahos 36:12

So, just seeding the ground for further conversation that will take place among the more the administration experts on the issue, Jake. Getting back to tariffs and trade for a second, you know, in May the administration announced, or they announced that you know coming out of out of the the Beijing summit that there would be a board of trade and a board of investment established. What are the possibilities of of these two organizations? What are the prospects for any movement or explanation about what they will look like at this meeting?

I know that they were supposed to be geared, particularly the board of trade, I think, was geared towards tariff reductions on both sides, but as Politico reported today, there have been no details to chew over, and some of the industries that that might benefit from these boards feel like they've been sort of left in the dark. One senior leader from a trade association said it's like parts of the industry have been frozen out. Can you talk a little bit about what these boards are, what the expectations are, and and maybe just a little bit on on the tariff front more broadly in the context of the summit on Thursday.

Jake Werner 37:42

Yeah, the the answer is we we don't know what they are because they they're not they don't really exist. the the The idea has been put out there. I think the idea is quite constructive, given how how dysfunctional the trading relationship has become since the first Trump administration. We really do need to institutionalize some way of talking about how we can reduce the how badly tariffs limit the trade flows on both sides, and there has been some discussion of reducing existing tariffs by \$30 billion on both sides, we don't we don't know what products would qualify for that, and and I think that what you're seeing here is there's there's an idea that could be really constructive. It has not been institutionalized.

The problem is not on the Chinese side. The Chinese side really quite desperately wants to have institutions. This is very much in line with the Chinese system is we we start at lower levels, we talk about what we can do, we move it up the chain, and we get sign off or we get rejections, and then we go back to lower levels and we do this process where the two sides talk to each other before then signing off on a deal at the high levels and then the and then the top

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leaders meet and then they both announce it right and it's exactly the opposite with Trump. Trump is like I'm going to say what we're going to do, and then people will fill in the details later. And what has happened is that now Trump and Xi Jinping have met last year at Busan. They met in Beijing in May. They keep saying they're going to do these things, and then the details never get filled in. We never have these lower level discussions that could provide the actual policies to to make this happen, and and the same is true on the investment side.

So the the basic concept of the board of investment is that the United States would come up with some sort of framework to welcome in Chinese investment. Increasingly, Chinese investment in the United States is getting cut off, is being restricted, is being subject to more and more levels of oversight and rejection. A lot of this is coming from Congress. A lot of it is coming from the the the CPS review mechanism in the in the executive branch, and some of it is coming from hostility at local at the local level to Chinese. Investment, so there there is a really treacherous landscape for Chinese businesses that want to invest in the United States because they see it as a big market that they could do good business in, and and you can see the advantages of that from the American side. Investment creates jobs.

If we if we have kind of an institutionalized oversight of what kinds of investment are okay, then we can also put conditions on those investments. So not just sort of open the door and say Chinese businesses, anyone can invest wherever you want. I don't think that's to the advantage of the United States, but we could use it to say we are prioritizing these technologies that China has actually run ahead of American companies on really important technologies like batteries and robotics, electric vehicles. These are really crucial to the future of American economic prosperity, and American companies are falling behind.

So, are we going to just cut ourselves off from the advances that are happening on the Chinese side? Are we going to lose visibility on what Chinese competitors are doing? Are we going to lose contact with the Chinese scientists and and and researchers at private companies that are making these breakthroughs? That's the direction we're going in right now. There is this possibility if we have a framework to communicate to the Chinese side that their investments would be safe here, to also put conditions on these investments, we could require technology transfer. We could require wage and benefit standards and union neutrality to make sure that Chinese investment doesn't damage the quality of labor rights in the United States. We could put localization requirements on supply chains to make sure that Chinese investment doesn't hollow out the existing very important for for both jobs and innovation the existing manufacturing sector in the United States. This is something that is is is gaining increasing discussion.

I published a piece, a policy brief on this through the Quincy Quincy Institute last spring. We've we've had proposals along these lines from Biden's former chair of the National Economic Council, Biden's former chair of the Council of Economic Advisers. There, a new report from the UCSD China Center on some details of what this could look like just came out. There's a lot of activity here developing the policy, so this is a real possibility for figuring out how Chinese investment could be made to work for the United States in a way that could rebuild the sense of mutual gain on both sides. And what has happened instead is that there doesn't seem to be that

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much interest in in the Trump administration. Trump himself has expressed interest in bringing, he said, "Go ahead and invest here as long as you're as long as you're hiring American workers. That's fine. But at lower levels in the Trump administration, so Bessent is the Treasury Secretary. Bessent is the one who would need to push this, but that's not really his remit. He's he's he's looking at macroeconomic stability. He's looking at sort of the imbalances in the global economy.

He's not really looking so much at a micro level at American business competitiveness, at access to technology, at labor rights, and and what's good for the American workforce. That's not not really what he the calculations that he's making on an everyday basis. So he's he's not a very good person to to drive this forward. Although I think he is interested in it, and people in the administration, other people in the administration who potentially could drive it forward seem to be hostile or seem to to be kind of checked out. So like the the trade representative Greer or Commerce Secretary Lutnick, so we're kind of dropping the ball on this one, and and part part of this is has to do with the hostility to China in the United States that is making us blind to the real advantages of having a relationship with China. Part of it also is just kind of the chaos in the Trump administration, and and when Trump is not paying attention to something, it kind of it's kind of inertia. When Trump does pay attention to something, it can change over the course of a day. So there's a lot of dysfunction in the administration that I think is making us miss these opportunities. You're on mute, Kelley.

Kelley Vlahos 44:26

Sorry about that, guys. I have like a million tabs open, trying to refer to things. And yes, Alvin, we are sharing your brief, Jake's brief videos, and everything in the chat right now. It does seem like we're a little blind to the things we need from China, and I was wondering if you could talk for a second about rare earths. From you know, from what I understand, the U.S. military is heavily dependent on rare earths for the components for its weapon systems, aircrafts, communications. And you know, China actually has the market on these things and has been fairly restrictive in response to the things that the United States has been doing tariffs at all. And so, could you talk a little bit about whether or not China is going to open up a little bit there? Like, what kind of disadvantage does that whole to that market put us in, particularly as the United States has been depleting a lot of its munitions and missile defense things that they need to replenish quickly and need those rare earths for?

Jake Werner 45:41

This this is a huge vulnerability for the entire American economy, for the civilian economy, for the military economy. I think we we are lucky thus far that China has not used the rare earth. It really first used this weapon in a systematic fashion in response to Liberation Day last year. So before that, there was a kind of attack a number of years ago on Japan in a dispute over a territorial dispute around islands, but it was really in response to American economic attacks under the first Trump administration. The attempt to destroy Huawei, which is China's was China's most important multinational company, and the Trump the first Trump administration,

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very came very close to destroying it. It was really in response to those kinds of economic attacks that started under Trump One that China started to systematically put together controls on rare earths so that it so that it could weaponize them in the way that the United States was weaponizing its control over technology, and and it used it finally last year, and and I and we're lucky because China has used it in a defensive fashion thus far.

It's tried to hold hold in check American attacks on China rather than try to use it to to impose some sort of demands beyond that. And and you can imagine, and this is sort of an everyday presence in in the nightmares of people in Washington. You can imagine China saying, "Well, we're going to take Taiwan now, and if you do anything, then nowhere is for you. And I don't, I don't. Is this is that that sort of an offensive use of these these sorts of weapons would be really out of character for for China, except when it feels like it's what it defines as internal interests of sovereignty, or the legitimacy of the of the party of the Communist Party system, except for when those issues come into dispute, China has been quite restrained in the power that it does wield militarily and economically, and I think the the party certainly defines those those so-called internal interests in ways that often have extraterritorial effects, and China certainly does throw its weight around on those things.

But we can kind of predict where the sensitivities are, and and we have a kind of expectation that it's not going to go beyond that thus far. Unfortunately, because the U.S. keeps pushing China to develop more and more of these capacities, and because China's internal interests are becoming increasingly external as it becomes more influential in the global system, I'm not sure we can rely on that being true indefinitely. And and so my my own position is that we should be institutionalizing stability and coexistence in the relationship, so that China doesn't have reason, doesn't have need to to to use these weapons more aggressively, and instead of doing that, we're just we're in like sort of small ways, we're just antagonizing China on this and that and the other, and convincing China that ultimately the United States is is going will not tolerate success on China's side, success in its security interests, success in its economic interests, success in growth and development. If that's if that's the point that China is convinced of, then it's it's hard to see as both sides try to build up their their own independence and their own capacities for hurting the other. It's hard to see how those don't come into play sooner or later.

Kelley Vlahos 49:01

Yeah, Paul, during the last meeting that she and Trump had in Beijing, Trump made several statements, you know, that appeared sympathetic towards Xi's framing of the Taiwan issue, and he even postponed a U.S. weapon sale to Taiwan. A report in Reuters this morning suggested that Xi Jinping is expected to press Donald Trump to halt those Taiwan arms sales under the Third Communique signed by President Reagan in 1982. Could you discuss what that communiqué actually says, and some of the that the these key security tensions over Taiwan, you know, where where does that stand now, and where do you expect Trump to be on the issue if it does come up on Thursday?

Paul Heer 50:00

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Yeah, well, I think it will come up on Thursday, and as you said, I think it was one of the more noted outcomes of the summit back in May. It's not entirely clear what Trump said to Xi privately about Taiwan during their meetings in Beijing, but what really hit the headlines was the things were the things that he said about Taiwan in press conferences and on Air Force One on the way back, which basically, as you say, were sympathetic in varying degrees to Xi's framing of the Taiwan issue. And then, most notably, he he suspended a Taiwan arm sale, and that seems to be the big issue that's now on the table in the run up to the summit this week.

Everyone's expecting. In fact, there was a you know rumor circulating last week that she as recently as last week was inclined or was threatening to cancel the visit if Trump had before the summit gone ahead and authorized that arms sale. I don't think that was ever going to happen either that he was going to authorize it or that she was going to cancel the summit. But the big question now is: Is Trump going to authorize that sale, and if so, when? He obviously isn't going to do it this week because he doesn't want it to upset the summit. The question then becomes: Will he do it before or after the notionally planned next two meetings that Trump will have with Xi?

Supposedly, I mean, it's not entirely clear whether Trump is going to go to the APEC meeting, which Beijing is hosting, which Chinese are hosting in Shenzhen next month, and then the following month, Trump is hosting the G20 here in Miami. It's not entirely clear whether she will come for that. So I think most of the money is on now that Trump will will not make a decision in that regard before the end of the year. You're right about the pressure. I think that because she thinks he scored a point in this regard back in May, he's gonna he's gonna continue to push the point when he gets there. And in fact, I don't know if he's gonna specifically raise, you know, the 1982 communiqué.

And again, what you asked, I mean, there's a lot of arcane here in diplomatic history, but there are three communiques that really govern the existence of U.S.-China diplomatic relations. And the third one was signed during the Reagan administration in August of 1982, and it's one in which they were still trying to come to closure on how the U.S. was going to deal with Taiwan in the wake of normalization with Beijing. And in this communiqué, Washington basically committed not to provide arms to Taiwan indefinitely. The Chinese believe we had been in violation of that commitment for decades already, and there's debates on both sides as to whether that's a viable argument.

I think it does raise valid questions. I don't think that, I mean, she's going to push the point, but I think she himself also doesn't want the Taiwan issue to be, you know, too much of an obstruction to positive outcome for the summit. I think she believes that he has Trump in the right place on this issue, and that he. I don't think she is afraid that that no arms sale is going to be authorized in the near future. I don't think he can be confident that it won't. But that comes down to the main issue, the main question here, which I think is unresolved even within Trump's administration, is what is his bottom line on Taiwan, and it's it's not entirely clear because he says things that are that are inconsistent and kind of non-strategic on this issue. He clearly has

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said things which suggest he doesn't really care that much about Taiwan, he's been critical of Taiwan for taking advantage of the U.S. and he's referred to it as a bargaining chip with Beijing. I think it'll be you know a center of a lot of attention over the next several days, and there will be a lot of of you know wordsmithing and a lot of intense interpretation of the slightest thing that is said by either side on this issue, between now and the end of the week, I think it will all add.

I think it will all add up to not substantially a different place than we are now or were in the wake of the meeting in Beijing. The other thing I will mention, though, is that because I just briefly, Trump is meeting with Japanese Prime Minister Takahichi in in New York today, and they will probably talk about China and Taiwan. And I just wanted to mention that because I think that this is still a big issue. Washington thinks that well, last fall Takaichi made some comments, the Japanese Prime Minister in the Japanese Legislature, which basically suggested that Japan might intervene in a cross-strait crisis, perceiving it as an existential or a a threat to Japan's security. The Chinese have reacted very vehemently to this. My view is that. Washington thinks this issue has gone away, and that Beijing will not press it because it's not achieving anything by doing so. I think it's not going to go away. It's a major issue, and I think that it'll be interesting to see how it's how it's discussed, what rhetoric comes out of Trump's meeting with Takiichi today on this. But the Taiwan issue is also central to the U.S.-Japan-China triangle.

Kelley Vlahos 55:26

You know, I know we didn't get too much into security here, and I think in years past, in anticipation to a meeting of this of of this importance, we'd be talking more about military buildup, security, and the issue. Our allies in the region, the nuclear issue as well. We have a question from Don Wei Yu. He wanted to know about the Taiwan issue and whether it be discussed. And Paul, you had answered that, but he also raises the question of of you know our security posture in the region, and this comes up because we had a panel months after the beginning of the Iran War about whether or not the Iran war has exposed our inability to actually fight a war with China if we wanted to, expressly talking about the fact that we were unable to defend our allies in the Gulf region, to defend our own bases, that Iran was able to disable some radar, our radars and sensors, and that we took a lot of hits, and our allies took a lot of hits.

What is what does that say? How do what do we extrapolate from that? And in terms of our deterrence in in in East Asia, and Don, we you says you know Jen Cavanaugh was on the the panel said that you know suggested that the U.S. military deployment or withdraw from its deployment in the first island chain to the second island chain because we're you know we we've been exposed we can't defend ourselves. D could you just talk for a second about how the the wars in Iran and the Trump foreign policy, which has spread our U.S. military fairly thin and our munitions, how is it affecting the conversation about the security relationship between U.S. and China? I know you mentioned Japan, Philippine, the the. the the in the Philippines they've been very concerned about aggression Chinese aggression extraterritorially in the region our allies are feeling a little like maybe that they they do have to sort of like step up a little bit more because they're looking at us and saying well maybe they won't be there to defend us do do you know how much that's playing into conversations, even if it's sotto voce?

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Paul Heer 58:05

Well, I think it's playing into conversations widely across the region, in Beijing and elsewhere. I mean, as far as Beijing is concerned, I mean, Beijing is learning both operational and geostrategic lessons from what's happening in Iran right now. There, I mean, I'm not an expert on the weapon systems, but they're listening to all the concern about the depletion of munitions that might be applicable for Chinese intervention or for U.S. intervention in a in a you know certainly a Taiwan conflict or in the region. I would caveat that by saying I don't think it's going to increase China's motivation to move toward Taiwan, because as I've said in many times and places, Beijing is not looking for an excuse to attack Taiwan; it's looking for reasons not to. But that's that's a that's a tangential issue.

But I think among our U.S. allies in the region, especially Japan, Korea, the Philippines, they no doubt are concerned about well the combination of the depletion of munitions and the U.S. preoccupation with this seemingly interminable war in Iran, and Trump's own messaging over the last year, and even partly during his first administration, about how the allies need to pull more of their own weight and defend their security. So I think there there certainly is a growing ambivalence-not ambivalence, but growing uncertainty among our allies in East Asia about you know what our attention span is, what our what the nature of our commitment is, and the Chinese are no doubt taking great comfort in this son certainly being raised among our allies.

Kelley Vlahos 59:50

Thanks for that. So I guess we have maybe a minute left. I would love to just do a very quick lightning round. If you were talking to a Reporter, right now, and they said, "Well, what's the most important thing that I should be looking for to come out of these talks? What would what would you say, Alvin?

Alvin Wang Graylin 1:00:11

I mean, I think the AI for me, the AI discussion is really the the biggest thing right now, and and you know we're really already heading down the right path. So I, for you know, even without the discussions on Thursday, if we if we don't have any more news in that area, this is already a successful outcome.

Kelley Vlahos 1:00:32

Jake?

Jake Werner 1:00:34

If if we get any really much of an outcome, then that I think that would be a surprise, and so that would be very notable. I will say that I'm not sure that that's given. You know, given the the

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limitations of the people who are involved in these negotiations, we should still recognize that the the top level meetings I think do play a very important function, which is they do hold in check the ways that the two sides are kind of kicking each other back and forth, and the because because Trump doesn't have a very good awareness of what's happening below him in his administration, it gives the Chinese side a way to talk about the the sorts of things that they will not accept, and that gives Trump the chance to tamp down what's going on in his administration that that China finds unacceptable, and and that and that kind that sort of communication because the the diplomatic apparatus was destroyed in the first Trump administration, we don't have that much communication between the two sides. So I think there is there was another sort of report that there might be some progress in reestablishing military to Military connections and building out a crisis management system that that my colleague Michael Swaine has written very helpfully about recently. So those kinds of things, just like building out the communication and maintaining these opportunities for the two sides to understand each other, is really important.

Kelley Vlahos 1:01:59

Excellent points. Let's give you the last word, Paul.

Paul Heer 1:02:04

Well, I would agree with Alvin that what comes out of this meeting with regard to AI is going to be the most important indicator because, as I said during the moment that we lost Alvin a little bit earlier, I think AI is is is the greatest, the best example of a of an issue where U.S.-China cooperation is imperative, but but also the best example of of an issue where it will be extremely difficult because of the zero-sum mindset and the competitive focus on both sides. I thought about this earlier because you know we have basically, and again it's it's there's reflections of the same thing on both sides, but Washington has essentially made it explicit that our strategic goal is to retain the upper hand. That's not that's going to be a difficult basis for a pursuit of constructive strategic partnership on this or other issues.

Kelley Vlahos 1:03:03

Thank you, and thanks to our audience for joining us today. This is a huge news week. Please follow us at responsiblestatecraft.com. We're covering a lot of these meetings, including Trump's speech today. We'll have a story up momentarily on that, and of course, we'll be covering the big summit here in Washington on Thursday, for all you Quincy watchers, we have an interesting book talk coming up on September 30th. Laikwat Ahmed, who won the Pulitzer Prize in 2010 for the *Lords of Finance*, has now written a book called **The Rothschilds: The First Great Depression and the Making of the Modern World*, and he's going to be talking with our own Karthik Sankaran about that book on September 30th. Check out more information and a link for that on QuincyInst.org, as well as all of the briefs we've mentioned today, including Michael's crisis communication brief that came out just very recently, as well as Jake's springtime paper, Alvin's brief, the video that Alvin did with Marcus, and a whole lot more can be found on our

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website quincyinst.org. Thank you for a wonderful conversation, all three of you, and we'll see you next time.