

# The Changing World and China-U.S. Relations

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# The Changing World and China-U.S. Relations

Currently, changes in the world, the era, and history are unfolding in unprecedented ways. On one hand, the historical trends of peace, development, cooperation, and win-win progress are unstoppable, and the will of the people and the overall trend determine that humanity's future will ultimately be bright. On the other hand, deficits in peace, development, security, and governance are intensifying, and human society is facing unprecedented challenges. The world stands once again at a historical crossroads, and the direction it will take depends on the choices of people from all countries.

China and the United States are permanent members of the UN Security Council and the world's two largest economies, bearing significant responsibilities for maintaining world peace and promoting common development. China-U.S. relations are the most important bilateral relationships in the world. In the face of global changes, disorder, and crises, the world needs a generally stable relationship between China and the U.S.. Cooperation between the two countries can produce huge positive spillover effects and form a joint force to address global challenges. Conversely, if China and the U.S. do not cooperate, or even confront each other, it will produce serious negative spillover effects, which are not conducive to solving global challenges and issues, and may even worsen the situation. Promoting China-U.S. relations to return to a healthy, stable, and sustainable track as soon as possible can bring positive expectations to a turbulent world, injecting stability and positive energy.

## **I . Changes in the world, the era, and history are unfolding in ways that are unprecedented**

Today's world faces many global problems and challenges, especially in the post-pandemic era, where countries are confronted with unprecedented difficulties, including a weak economic recovery, soaring inflation, heavy debt burdens, increasingly prominent climate change challenges, severe food and energy security situations, frequent international and regional strategic

accidents, and a sharp increase in the risk of war. The main manifestations are as follows:

**(I). The international geopolitical situation is increasingly confrontational and turbulent, and the environment for peaceful development is constantly changing**

In terms of international and regional security, traditional hotspots have not been resolved properly for a long time, and new hotspots continue to emerge. Issues such as the Iranian nuclear issue, the Korean Peninsula, Syria, and Afghanistan remain unresolved. Global terrorist and extremist forces take advantage of chaos to cause trouble and form cross-border connections, continuously using emerging technologies to carry out terrorist activities, and the challenge of terrorism remains prominent.

The Ukraine crisis is becoming protracted, expanded, and complex, further pressuring the already tense international situation and bringing greater uncertainty to the world. The number of refugees from Ukraine surged from 27,300 at the end of 2021 to 5.7 million by the end of 2022, leading to the most severe refugee crisis since World War II. At the same time, the Ukraine crisis has also led to a global energy crisis and food crisis.

The resurgence of the Israel-Palestine conflict has suddenly intensified the situation in the Middle East. The Israel-Palestine issue is the core of the Middle East problem and has always been the most vulnerable link in the situation in the Middle East. Since the establishment of Israel in 1948, there have been five Middle East wars. The new round of the Israel-Palestine conflict that broke out on October 7 has caused more than 10,000 deaths by November 1, with over 1.6 million people displaced in the Gaza Strip. If the conflict continues to escalate, the Israel-Palestine crisis may expand and spread, leading to disaster in the entire Middle East region and even a larger area, thereby having a profound impact on the global energy market, global trade, and geopolitical relations.

Tensions between major powers are at a historical high, with the risk of conflict triggered by accidents or misjudgments remaining high. As United Nations Secretary-General António Guterres said in his opening speech at the 74th session of the United Nations General Assembly in September 2019: "A new risk is emerging on the horizon, although not yet large, it is real. I am concerned about the possibility of a great divide: the world splitting into two, with the Earth's two largest economies creating two independent, competing worlds, each with its own dominant currency, trade and financial rules, separate internet and artificial intelligence technologies, as well as their own zero-sum geopolitical and military strategies."

**(II). The global economy is facing severe challenges of low growth, high inflation, high interest rates, and high debt, and the post-pandemic recovery is uncertain**

In recent years, affected by the COVID-19 pandemic, trade wars, and "deglobalization," global economic growth has been in a slump. According to the report of the International Monetary Fund (IMF) in October 2023, the global economic growth rate is expected to slow down from 3.5% in 2022 to 3.0% in 2023 and 2.9% in 2024, far below the average level of 3.8% from 2000 to 2019 (see Figure 1). The World Bank expects the global potential growth rate (i.e., the highest long-term economic growth rate that does not cause inflation) to drop to an average annual level of 2.2% between 2023 and 2030, lower than the average of 2.6% from 2010 to 2019 and 3.5% from 2000 to 2009, indicating that the global economy may be experiencing a "lost decade."



**Figure 1: Global Economic and Trade Growth Rate**

Note: The values for 2023, 2024, and 2028 are forecasts.

Data Source: IMF

Looking ahead, the global economy faces enormous uncertainties, with risks such as commodity price volatility, intensified geopolitical division trends, persistently high inflation, and too low productivity growth still worrying, and some countries entering deep aging. The fragmentation of the global economy may further undermine growth prospects, and these issues are not isolated but closely related to each other.

Inflation remains a threat faced by most countries in the world. In 93% of economies globally, inflation rates are still high, above the target level. Although the global inflation rate is steadily declining, the IMF expects it to fall from 8.7% in 2022 to 6.9% in 2023 and 5.8% in 2024, but it will not return to the target level until 2025. The U.S. Consumer Price Index (CPI) year-over-year increase has rebounded from a low point of 3% in June and remained at 3.7% in August and September, indicating that the progress made by the United States in reducing inflation has stalled. Looking at the core CPI, although the U.S. has fallen from its peak, it is still above 4%, at a relatively high level for the past 30 years, and the overall level of the OECD is even close to 7% (see Figure 2).



**Figure 2: Core Inflation Rate of the OECD and the United States**

Data Source: OECD

To control inflation, most countries have been forced to maintain interest rates at unusually high levels for many years, and high interest rates have pushed up the cost of loans, suppressing corporate investment and household consumption, putting pressure on the real estate market, investment, consumption, and economic growth. Influenced by the Fed's rate hikes, the average interest rate for a 30-year fixed-rate mortgage in the United States has been soaring, breaking through 7.5% for the first time in twenty years, leading to a decline in the number of U.S. home loan applications and a significant drop in home sales. The U.S. economy is also significantly suppressed by high interest rates. The IMF expects the U.S. economy to grow by 2.1% this year and 1.5% in 2024; the OECD expects the U.S. economy to grow by 2.2% this year and 1.3% in 2024.

Moreover, global debt increased to a record \$307 trillion in the second quarter of this year, accounting for 336% of global GDP. U.S. national debt has exceeded \$33 trillion, and with current interest rates, it is expected that just

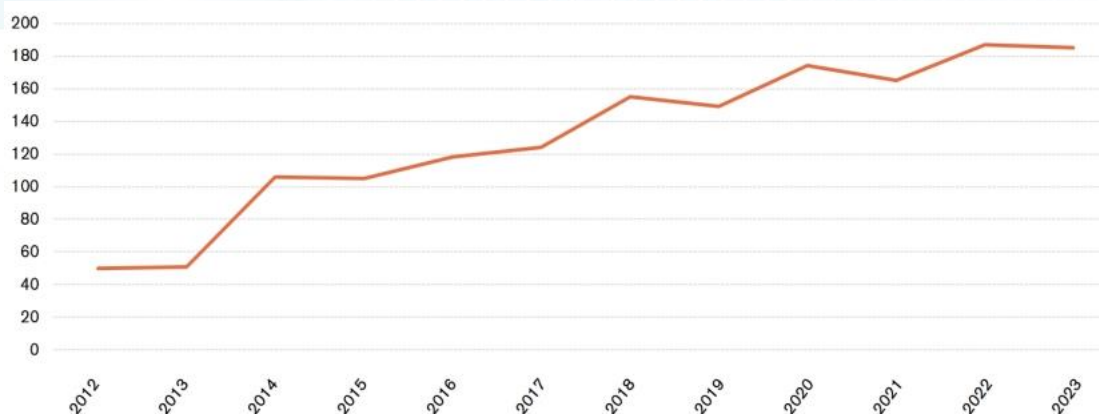
paying the interest will exceed \$2 trillion. Rising debt levels have forced countries, corporations, and households to control spending and investment, thereby suppressing economic growth and affecting living standards. According to IMF data, as of the end of January 2023, among 70 low-income countries, 9 have fallen into debt distress and 28 are at high risk. For countries, enterprises, and institutions burdened with huge debts, interest rates remaining at higher levels for a longer time put them under tremendous pressure to repay principal and interest, and pressures from capital outflows and debt distress intensify.

### **(III). Economic globalization is facing major headwinds and reversals, and the global economic and financial governance system urgently needs to be strengthened and improved**

In recent years, the development of economic globalization has been tortuous, and the trend of anti-globalization has been rising. The United States has been building "small yards, high fences" vigorously, promoting "decoupling and chain breaking," and stirring up supply chain "de-risking," resulting in increased trade barriers and fragmentation of trade relations, significantly slowing global trade and investment. Global trade (including goods and services trade) grew by 5.1% in 2022, and the IMF expects it to drop to 0.9% in 2023. The World Trade Organization (WTO) predicts that the global volume of goods trade will only increase by 0.8% in 2023. At the same time, affected by factors such as the escalation of the Ukraine crisis, rising food and energy prices, and soaring public debt, global foreign direct investment fell by 12% to \$1.3 trillion in 2022 compared to the previous year. The United Nations Conference on Trade and Development believes that the global environment for international business and cross-border investment remains challenging in 2023, and global foreign direct investment will continue to show a downward trend.

The reform process of the global economic and financial governance system is slow. The appellate body under the WTO dispute resolution mechanism has been at a standstill since December 2019, and the number of restrictive trade policies by various governments remains high (see Figure 3), with the global multilateral trade system facing an unprecedented crisis. The lack of communication, coordination, and cooperation in macroeconomic policies such as fiscal and monetary policies of various countries, the dysfunction of G20 as the main forum for international economic cooperation, and the challenge faced by macroeconomic policy coordination mechanisms. Major currency issuing countries are increasingly using the international financial system as a tool to maintain their hegemony and geopolitical interests, causing the global financial governance framework to lack inherent stability. The economic scale of developing countries is severely mismatched with their speaking rights and resource acquisition capabilities in international financial institutions. The democratization and modernization reforms of the IMF and the World Bank are facing great challenges.





**Figure 3: Number of Global Trade Restrictive Measures**

Global technological governance urgently needs to be strengthened and coordinated. The new round of technological revolution, represented by new generation mobile communications, artificial intelligence, quantum computing, biotechnology, new energy technologies, new material technologies, deep space, deep sea, and deep earth technologies, is changing day by day, bringing unprecedented opportunities to economic and social development on the one hand, and on the other hand, the gap caused by new technologies and digital economy and other new forms is widening, also bringing unprecedented profound challenges. The governance rules for new technologies are still in a blank state, and the phenomenon of politicization and weaponization is becoming increasingly serious, and it is increasingly difficult to reconcile the differences in technological governance concepts and systems between different countries.

**(IV). The global industrial chain and supply chain face the challenge of reorganization or reshaping, and the trend of decoupling and chain breaking is intensifying**

The formation of the global industrial chain and supply chain is the result of market entities autonomously choosing to adapt to supply and demand through transnational corporations in the process of economic globalization. In the nearly 80 years since World War II, three major industrial chain and supply chain centers have been formed: Asia mainly including China, Japan, and South Korea; Europe mainly including Germany, France, and the UK; and North America mainly including the United States. The COVID-19 pandemic has severely impacted the stability and security of the global industrial chain and supply chain, exacerbating the pressure of supply shocks, especially the risk of decoupling and chain breaking in industrial chains and supply chains with high embedding and high connectivity with the international market. The United States and Western countries use the supply chain shocks and chaos caused by the pandemic to generalize the boundaries and categories of national

security, and while strengthening their own industrial chain and supply chain security, they play political, security, and value cards, and the trend of decoupling and chain breaking in the global industrial chain and supply chain is intensifying, mainly manifested in the following aspects:

The United States and its allies intend to achieve the "de-Chinaization" of the industrial chain and supply chain. For example, in the semiconductor field where the United States has advantages, "de-Chinaization" has been promoted, including the establishment of a "Chip Quad Alliance" consisting of the United States, Japan, South Korea, and Taiwan, China, signing agreements between the U.S., Japan, and the Netherlands, and implementing export controls and restrictions on advanced chip manufacturing equipment and important materials to China, using companies from Japan, South Korea, and Taiwan, China to substitute Chinese companies in the high-end of the industrial chain. In May 2022, the United States initiated the "Indo-Pacific Economic Framework" in Japan, which has now developed to 14 countries, trying to use Vietnam, Indonesia, India, and other countries to replace China's mid- and low-end industries.

The European industrial chain and supply chain are accelerating their transfer abroad. Due to the energy crisis triggered by the Ukraine crisis, the prices of energy, electricity, and raw materials in Europe have risen. High inflation and soaring energy prices have severely damaged the overall competitiveness of European manufacturing, and the situation of companies moving out continues to increase. The U.S. \$369 billion in new energy technology subsidies has attracted a large number of European companies. According to statistics, among the European companies that have moved out, two-thirds have moved to the United States, and one-third have moved to China and other countries.

The United States and Europe have stirred up the global supply chain investment layout with green subsidies. The United States has passed the "Chips and Science Act" and the "Inflation Reduction Act," providing government subsidies of \$52.7 billion for U.S. semiconductor research and development, manufacturing, and labor force development, and the subsidies for the new energy vehicle industry are over \$300 billion. The European Union has announced the "Net-Zero Industry Act" and the "Critical Raw Materials Act," planning that by 2030, more than 10% of the annual mining of critical raw materials, at least 40% of the processing, and 15% of the recycling of critical raw materials will come from within the EU. It ensures that the consumption of any strategic raw material does not exceed 65% from a single third country. The European "Chips Act" plans to invest 43 billion euros in fiscal subsidies before 2030, encouraging public and private enterprises to invest in manufacturing facilities for chip manufacturers and their suppliers. These measures will lead to a reorganization of the global industrial chain and supply chain, and even

stage, intermittent, and shock-like fractures.

**(V). Global challenges are becoming more prominent, and human survival and development are facing unprecedented threats**

The challenge of climate change is becoming more severe. According to data from the World Meteorological Organization (WMO), nearly 12,000 climate disasters occurred between 1970 and 2021, causing 2 million deaths and economic losses of \$4.3 trillion, mainly occurring in developing countries. Another study shows that from 2000 to 2019, wildfires, heatwaves, droughts, and other extreme events caused by climate change resulted in losses of more than \$100 billion per year, reaching \$391 million per day. The World Meteorological Organization announced that 2023 has become the hottest year on record and is also considered a year with frequent extreme weather events worldwide. Comprehensive assessments by relevant international institutions indicate that if the Paris Agreement is not implemented, global temperature rise could reach 3.5 degrees Celsius or even higher. The World Health Organization estimates that at least 250,000 people will die each year from 2030 to 2050 due to climate change.

The food crisis is imminent. In 2022, 2.4 billion people were in moderate or severe food insecurity, about 29.6% of the world's population, including about 900 million people in severe food insecurity, accounting for 11.3% of the world's population. Long-lasting wars, extreme weather, and domestic-first export policies, among other factors, have increased the volatility of global food prices, creating the risk of a food crisis. Before the outbreak of the Ukraine crisis, only three countries imposed export restrictions on food, while the number of countries restricting food exports has now increased to 19. Since the COVID-19 pandemic disrupted the global supply chain in 2020, the prices of major crops such as wheat, corn, rice, and oilseeds have been rising, whereas prices were relatively stable for many years prior.

Global public health governance has many shortcomings, and the global mechanism for joint prevention and control of infectious diseases has not yet formed. International public health resources are scarce, and anti-globalization has made the global public health system even more vulnerable. Japan is pushing for the discharge of nuclear-contaminated water into the sea, choosing to release it into the ocean on the basis of economic cost, which is equivalent to transferring the risk of nuclear pollution to all humanity, and will lead to major problems in the global marine environment and public health, posing a serious threat to marine biodiversity and the food security of small island developing countries.

## **II. Current Issues, Challenges, and Opportunities in China-U.S. Relations**

Since the establishment of diplomatic relations between China and the U.S., the U.S. strategy towards China initially focused on cooperation, later evolved to cooperation plus competition, and has now generally shifted towards competition plus containment. The Biden administration's policy towards China, themed "investment, alliances, competition," labels China as "the most serious long-term challenge to the international order," while claiming not to seek a "new Cold War" with China, not to stop China from playing the role of a major country, and not to hinder China's economic development; on the other hand, it has never ceased to contain and suppress China. On global governance and some geopolitical issues, the U.S. recognizes that cooperation with China is in its own interest, therefore, it has not given up cooperation with China.

There are three scenarios for the future development of China-U.S. relations. The first scenario is the "optimistic scenario" for China-U.S. relations, where China and the U.S. could move towards competition dominated by cooperation. As the world's first and second largest economies, cooperation between China and the U.S. will inject strong momentum into the world economic recovery, a series of challenges will gradually be resolved or transformed into new opportunities, and the world economy may welcome a new period of recovery and growth. This scenario has appeared, but it is difficult to judge how long the window period will last. The second scenario is the "baseline scenario", where China-U.S. relations maintain the current state where it has corporation but dominated by competition, the world still maintains the current tone of peace, security, and development, and there will be no direct military conflict and confrontation, but some industrial and supply chain "decoupling" and "breakage" coexist with reliance and connections, and this scenario may become the norm for China-U.S. economic and trade relations. The third scenario is the "pessimistic scenario" for China-U.S. relations, where China and the U.S. engage in military conflict and move towards comprehensive confrontation, with both economies heavy damaged, resulting in a lose-lose situation, the world economy falling into a deeper recession, and the theme of human peaceful development undergoes fundamental changes, which will bring more severe disasters to all humanity than World War I and World War II. The likelihood of this scenario occurring is not high, but the probability is continuously increasing.

Cooperation is the greatest opportunity in the future China-U.S. relationship. "Cooperation benefits both, while confrontation hurts both." All sectors of society need to promote the development of China-U.S. relations in the direction of cooperation, which requires full recognition of the current cooperation and challenges faced by China-U.S. relations, to turn crises into opportunities.

## **( I ). The United States positioning China as a "strategic competitor" is a serious misjudgment**

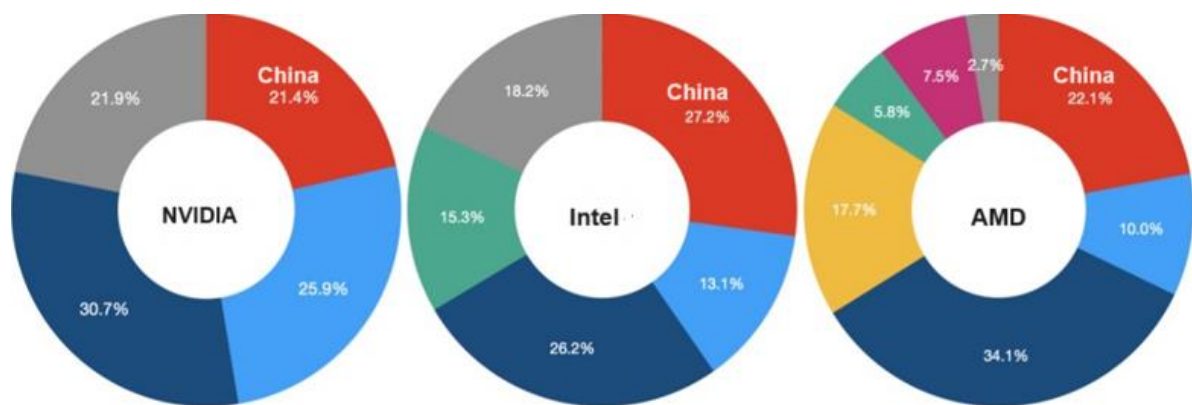
It is normal for China and the U.S., as two major countries, to have competition in some fields such as economy and trade, technology, etc. But this competition should be fair and healthy, rule-based with clear boundaries, and should not disregard the rules of the market economy and the basic principles of international relations. The United States currently positions China as "the only competitor with the intent and the capability to reshape the international order," viewing "competition" as the entirety of the relation, adopting a comprehensive containment and suppression policy towards China, treating China as an imaginary enemy, and launching trade, financial, and technology wars, with the tech war now becoming the main focus. This indicates a directional problem in America's perception of China, misapplying the development logic of traditional Western powers on China.

Over the past 20 years, China's economy has developed rapidly, with its GDP ratio to the U.S. growing from 10% in 2000 to 78% in 2021. On one hand, this is due to China's path of the socialist market economy, which has stimulated market vitality and creativity. On the other hand, China has been continuously integrating into the existing international trade system and international rule system since joining the WTO in 2001. Although the aggregate of China's economy is close to the U.S., there is still a big gap between the two countries in terms of economic, military, financial, cultural, and technological innovation capabilities. As the leader of this system, the U.S. feels pressure and even threats from China's rapid development and rise, and some U.S. politicians believe that China can challenge the U.S. in all aspects and is a force to counterbalance the U.S., hence they see China as a target for containment and suppression. This is a major historical misjudgment.

## **( II ). The United States generalizes the concept of "national security"**

In recent years, the U.S. government has generalized the concept of "national security," linking economic issues with national security, promoting "decoupling and de-risking," intending to delay or even interrupt China's development process. These actions not only disrupt market rules and international economic and trade order, putting threat to the stability of the global industrial and supply chain, but also harm the U.S.. The U.S. promotes "friend-shoring" and "near-shoring," seeking the "de-Chinaization" of the supply chain, and enacts large-scale exclusionary industrial policies, promoting domestic industrial development with high subsidies. These practices go against the general trend of global industrial division of labor, significantly increase the production and operating costs of businesses, causing the proportion of manufactured products in U.S. exports to China to continuously decline, not only making it difficult for the U.S. to revitalize manufacturing but also

weakening industrial competitiveness, dragging down its economic development and growth potential. In the technology field, the U.S. adopts a "small yard, high fence" strategy, joining allies to contain and suppress China's high-tech industries, including semiconductors. China is the world's largest semiconductor market, with sales accounting for about 1/3 of the global total. The Chinese market has long been the largest market outside the U.S. for American chip companies (see Figure 4), and an article in "The National Interest" magazine pointed out that the U.S. tightening technology export restrictions has reduced the revenue of American semiconductor companies, endangering their R&D budgets. Boston Consulting Group forecasts that if "decoupling" from China is complete, the U.S. semiconductor industry will lose 18% of the global market share and 37% of revenue, reducing 15,000 to 40,000 high-skill jobs. Despite the suppression and containment by the U.S., China's innovation capability and technological development level are still rapidly improving, and the U.S. "high walls in a small yard" are unlikely to truly contain the development of China's high-tech industry.



**Figure 4 Regional revenue share of NVIDIA, Intel and AMD in 2022**

Data Source: CaiJing

### (III). The United States politicizes economic issues

The U.S. continuously politicizes economic, trade and technology issues in dealing with economic relations with China, adheres to the Cold War mentality, building alliances based on values, inciting ideological confrontation, coercing other countries to choose sides between China and the U.S., not only interfering with the normal operation of the global market but also exacerbating the chaos in the global economic governance system, triggering international rule competition and conflicts, causing a huge impact on economic globalization. These practices will deconstruct or even dismember the pattern of economic globalization formed over decades, causing the global economy to become fragmented, bringing serious consequences to the global economy. According to the IMF report, if the global economy falls into serious fragmentation, the overall economic output may shrink by 7%; if technological "decoupling" is

added, some countries' losses could be as high as 12% of GDP. As major world powers, they should follow the trend of an open and inclusive era, practice multilateralism, and be beneficial to the world's economic recovery and peaceful development. Only then can they effectively prevent the great risks brought by unilateralism and hegemonism and win the respect from the international community.

#### **(IV). China and the U.S. are far from playing the role of the first two economies in global governance through cooperation**

The power of China-U.S. cooperation is not only reflected in bilateral relations but can also bring positive changes to the global economy and all humanity. Today's world faces multiple challenges such as geopolitical conflicts, frequent natural disasters, sluggish economic growth, energy and food crises, and intensifying impacts of climate change. Strengthening the in-depth cooperation between China and the U.S. in the field of global governance plays an irreplaceable important role in maintaining international order, addressing global challenges, and promoting global prosperity. This will not only enhance the image and role of the two countries as responsible major powers but will also strengthen trust and cooperation between the two countries and global society. Currently, the two countries have not yet formed a joint force in global governance cooperation, and there is still a lack of in-depth communication and coordination. Although the U.S. has repeatedly expressed that it does not seek a "new Cold War," it frequently coerces other countries to choose sides on international hot issues, which is actually pushing the world towards the direction of a "new Cold War." This will weaken the ability of the international community to jointly address global challenges, drag the world into greater crises, and the U.S. itself will also suffer backlash. The future of the world lies in all countries joining hands to jointly address global challenges and promote peaceful development. In today's highly interlinked economic world, "de-Sinicization" has high costs and prices for the U.S., its allies, and other countries around the world.

#### **(V). Cooperation is the biggest opportunity for China and the U.S.**

In this volatile and uncertain world, China-U.S. cooperation is an important way to promote global prosperity and achieve lasting peace. As the world's largest two economies, cooperation between China and the U.S. can not only bring significant benefits to both sides but also provide important opportunities for global stability, development, and prosperity.

In 2022, the combined economic output of China and the United States accounted for 43.29% of the global GDP(see Table 1), nearly a quarter of the world's population, and about one-fifth of global bilateral trade volume. The interests of both nations are closely intertwined, contributing over 60% to global

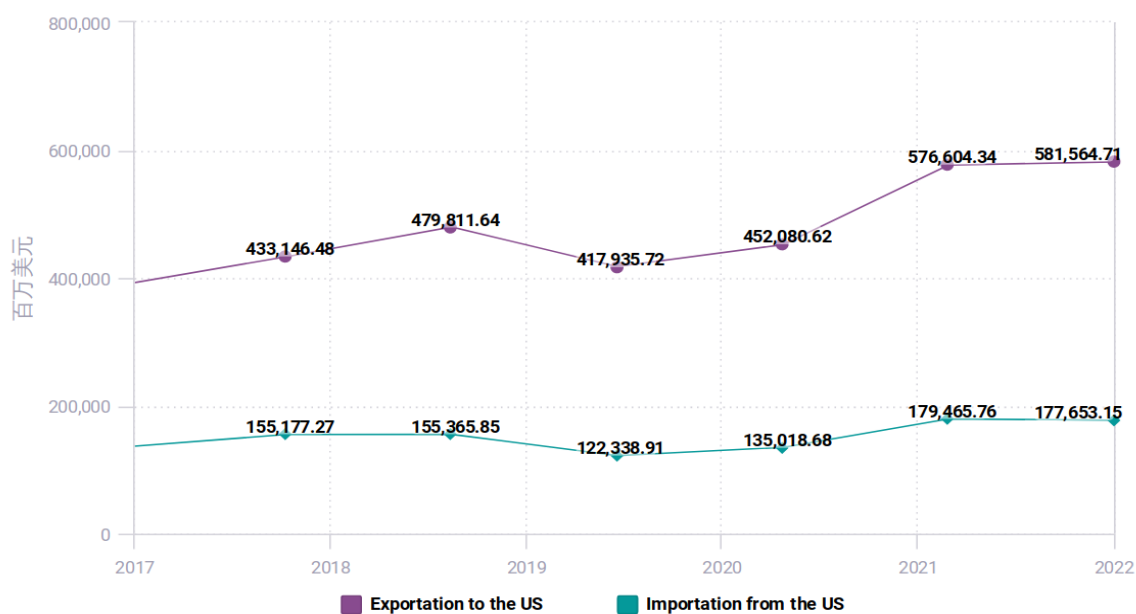
economic growth. Strengthening China-American economic and trade cooperation is not only necessary for mutual benefit but also stabilizes the global economy. The China-U.S. trade relationship, based on comparative advantages and market choices, is highly complementary and deeply intertwined, with a mutual benefit that provides strong internal momentum. In recent years, China-U.S. trade volume has reached new high, surpassing \$750 billion in 2021 and nearly \$760 billion in 2022, far exceeding the \$583.7 billion of 2017 (see Figure 5). China is a major trading partner for more than 140 countries and regions and is the largest manufacturing nation, integral to the world. In terms of digital infrastructure, China has 3.138 million 5G base stations and aims to achieve a full 5G coverage by 2024. The accuracy of China's BeiDou satellite system is comparable to the American GPS system. In supercomputing, China is building a national supercomputing network system and digital base, advancing the "East Data and West Computing" project, and accelerating the integration of big data. Leveraging new advantages formed by digital infrastructure, China will see more novel consumption scenarios, creating a vast market size.

**Table 1 The sum of the GDP of China and the United States in different periods accounts for the proportion of global GDP**

	1982	1992	2002	2012	2022
<b>U.S. GDP (billions of dollars)</b>	3343.8	6520.3	10929.1	16253.9	25462.7
<b>China GDP (billions of US dollars)</b>	284.6	492.1	1465.8	8539.6	17886.3
<b>Global GDP (billions of US dollars)</b>	11310.3	25351.6	34969.2	75277.9	100133.4
<b>The combined GDP of China and the US accounts for the world (%)</b>	32.1	27.7	35.5	32.9	43.3

Data source: International Monetary Fund's "World Economic Outlook" database. It is in current US dollars. The sum of China and the United States. GDP is calculated as the global proportion.





**Figure 5 China-U.S. bilateral trade volume from 2017 to 2022 (unit: million US dollars)**

Data source: CEIC database

By jointly promoting trade and investment liberalization and facilitation, and stabilizing the global supply chain, China and the U.S. can inject robust momentum into the global economic recovery and development. Both nations are significant forces in technological innovation, and cooperation in fields like artificial intelligence, biotechnology, and clean energy, which can accelerate global technological innovation and industrial upgrading, providing technical support to address global challenges. In facing challenges such as climate change, pandemic prevention and control, and international security, China-U.S. cooperation can concentrate resources and intelligence to find effective solutions, contributing to global stability and security. Amidst challenges to the current international political and economic order, China-U.S. cooperation helps maintain multilateralism and international collaboration, supporting the creation of a more just and equitable international order and global governance system.

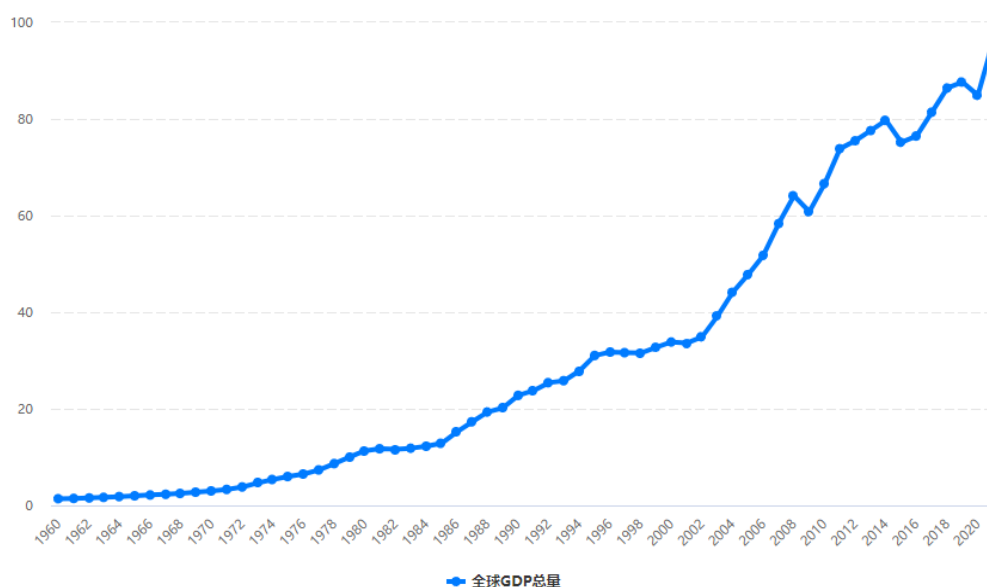
### **III. Focusing on economic and trade relations to create a new win-win situation for China-U.S. relations**

There is broad space for cooperation between China and the U.S. in many fields such as economy and trade, security, technology, and humanities. Faced with the increasingly complex international environment and the challenges of bilateral relations between China and the U.S., the two countries should start from the common destiny of humanity, abandon the Cold War mentality, step

out of the law of the jungle, show the historical responsibility and role of major countries, fulfill the obligations of responsible major countries, continue to solidify and deepen China-U.S. economic and trade cooperation, fully unleash the potential for cooperation in security and other non-economic and trade fields, and continuously create a new situation of mutual benefit and win-win for China and the U.S..

### ( I ). Jointly maintaining the overall peace and stability of the world

Peace is the cornerstone of development. Without a peaceful environment, development cannot be achieved, and the fruits of development would also be lost. For a long period after World War II, peaceful development became the theme of the era, the world pattern remained generally stable, the level of productive forces in human society was greatly improved, the economic scale continued to climb, and data from the World Bank shows that the global GDP in 1960 was 1.39 trillion US dollars, increasing to 96.1 trillion US dollars in 2021 (see Figure 6), and further increasing to 101 trillion US dollars in 2022. Many countries have got rid of poverty through a longer period of steady development, people's living conditions have continuously improved, life expectancy has been extended, significant progress has been made in various social undertakings, comprehensive national power has been significantly enhanced, and some countries have successfully entered the ranks of developed economies.



**Figure 6 Total global GDP from 1960 to 2021 (trillion US dollars)**

Data source: World Bank, GDP data are in current US dollars

China and the U.S. join hands in maintaining the overall peace of the world, with wide-ranging policy spillover effects. The two countries can and should play a greater role in maintaining the overall peace of the world, which benefits

not only the two countries but also the world. The two sides should strengthen cooperation, starting from the overall situation of global sustainable development, from the actual situation in conflict areas, and from the interests of people's welfare, to effectively prevent further escalation and spread of regional conflicts, reduce the "temperature" in conflict areas, and promote the world situation to continuously move towards peace.

The two sides should work together to promote the international community to resolve conflicts and differences through diplomatic means. Actively play the role of major countries such as China and the U.S. and international organizations such as the United Nations, and push all parties of the Israel-Palestine conflict and the Ukraine crisis back to the negotiating table to resolve differences through dialogue and consultation, and find solutions that meet the interests and security of both sides. Firmly oppose recourse to force and keep conflicts within a specific range to prevent further expansion of regional conflicts. Ensure the safety of life for people in conflict areas. Increase humanitarian aid to people in conflict areas to avoid outbreaks of famine and large-scale infectious diseases in conflict areas. It should promote countries to strengthen multilateral mechanisms and international cooperation, enhance the role of international organizations, and jointly address global challenges and threats. Promote countries to follow the principles of justice, fairness, and equality, and promote the healthy development of international relations.

## **(II). Jointly maintaining China-U.S. economic and trade relations as the anchor of stability for the world economy**

Trade and investment are important drivers of economic growth and are also important forces driving economic globalization. Since World War II, economic globalization has developed rapidly, the level of liberalization and facilitation of international trade and investment has been significantly improved, and a series of rule-based systems followed by various countries have been formed, effectively promoting the smooth development of global trade and investment. In recent years, unilateralism and protectionism have risen globally, and economic globalization has encountered setbacks. However, in the long run, the rapid progress and wide application of digital technology, artificial intelligence, and biotechnology contain positive factors for promoting the development of economic globalization, and economic globalization is still an irreversible historical trend. Achieving a higher level of trade and investment liberalization and facilitation is a necessary move for the development of economic globalization and is also the "anchor of stability" for accelerating the recovery and stable development of the world economy at present.

China and the U.S. are two important engines driving global economic growth. The two countries should strengthen economic and trade cooperation and promote further improvement in the level of liberalization and facilitation of

global trade and investment. It is necessary to maintain and improve the rule-based global multilateral trading system, promote substantive progress in WTO reform, and enable the WTO appellate body to resume its due functions as soon as possible. To adapt to the historical trend of digital and green transformation of economic and social development, promote countries to expand market opening, reduce market access thresholds in emerging fields such as digital and green, and vigorously develop digital trade and green trade; promote countries to cooperate in investment in the fields of digital and green development, reduce the number of non-tariff barriers and implicit discriminatory policies in various countries. Avoid incorporating political and other non-economic factors into the process of trade and investment liberalization and facilitation, and properly handle trade frictions and dispute resolution.

We should strengthen China-U.S. trade communication, establish and maintain intergovernmental communication channels, make good use of the three China-U.S. economic and trade working groups that have just been established, strengthen communication between the economic and trade teams of China and the U.S., actively promote the U.S. side to reduce and cancel the unreasonable tariffs imposed on Chinese goods to the U.S., so that consumers and businesses can benefit as soon as possible, and maintain the mutual benefit and win-win of bilateral trade; through the export control information exchange mechanism, as a platform to explain each other's export control systems and improve communication. Strengthen communication, enhance the policy transparency of the two sides based on national security management, and protect the China-U.S. economic and trade pattern of "you are in me, and I am in you" that has already been formed.

### **(III). Jointly maintaining the stability and smoothness of the global industrial chain and supply chain**

The stability and smoothness of the global industrial chain and supply chain are the foundation for the steady development of the world economy and are important bases for building an open world economy, which can effectively ensure the flow and allocation of various elements, resources, and products globally. An efficient, stable, and smooth industrial chain and supply chain system play an irreplaceable important role in reducing the cost of economic operation, improving economic efficiency, and accelerating the recovery of the world economy.

China and the U.S. are important forces promoting the stability and smoothness of the global industrial chain and supply chain. China and the U.S. are respectively the core countries of the Asian supply chain and the North American supply chain and have a wide influence on the global industrial chain and supply chain system. The powerful R&D and resource allocation

capabilities of the United States can play a powerful leading role in the global layout of the industrial chain and supply chain, and China's powerful manufacturing capabilities and super-large-scale market can become an important hub of the global industrial chain and supply chain system, providing strong support for the stability and smoothness of the global industrial chain and supply chain.

China and the U.S. should work together to promote the stability and smoothness of the global industrial chain and supply chain. China and the U.S. should focus on the needs of economic globalization development, strengthen cooperation in the field of industrial chain and supply chain, and continuously enhance the resilience of the global industrial chain and supply chain, and effectively ensure the stability and smoothness of the global industrial chain and supply chain. It is necessary to ensure the smoothness of the global three-dimensional transportation network including aviation, railways, highways, and shipping; continue to promote the integrated development of the three major global industrial chain and supply chain centers, and improve the level of inter-regional connectivity; promote the digital empowerment of the global industrial chain and supply chain, and use technological progress to enhance the resilience of the global industrial chain and supply chain system. China would increase the intensity of deepening reform and opening up, create a first-class business environment that is market-oriented, law-based, and internationalized, actively stabilize and expand the investment of multinational companies in China, and stabilize the industrial chain and supply chain; from the perspective of maintaining global economic stability, further improve policies related to cross-border data flow, network security management, intellectual property protection, etc., enhance the resilience and stability of the global supply chain.

#### **(IV). Jointly maintaining the stability of the global financial market**

Finance is the "blood" of economic, and financial stability is of great significance to economic development, playing a role of "pulling one hair and moving the whole body". History has repeatedly proven that instability in the financial system often leads to economic fluctuations beyond a reasonable range, and may even trigger financial and economic crises. The development and progress of the economy also require the continuous development and innovation of the financial system to meet the increasingly diversified financial demands. It is not because of financial stability considerations that the pace of financial development should be slowed down or even stagnated, but to achieve an overall balance between financial development and financial stability globally.

At present, the situation of the international financial market is complex, and the risk of financial turmoil is increasing, and China and the U.S. need to further strengthen financial cooperation to maintain the stability of the global financial market. Strengthen risk analysis and judgment in key financial areas.

Strengthen the tracking and judgment of the operational robustness of financial institutions under a high-interest-rate environment, and promote global systemically important financial institutions to conduct stress tests based on the new situation to prevent the risk of bankruptcy and closure of banks similar to Silicon Valley Bank and First Republic Bank. Strengthen the tracking and judgment of the evolution of the global sovereign debt risk situation, and prepare for response in advance. Further optimize the regulation of cryptocurrencies, promote countries to strengthen regulatory coordination in the field of cryptocurrencies, and promote the orderly development of cryptocurrencies. Closely track the risks brought to investors and the financial market by the large volatility of cryptocurrency prices, fully track the traces of cryptocurrency transactions, and resolutely crack down on illegal activities such as money laundering through cryptocurrency channels. Strengthen China-U.S. financial policy communication and coordination, and conduct in-depth discussions on issues such as financial market access and cross-border capital flows; jointly promote the accelerated implementation of the "G20 Sustainable Finance Roadmap"; improve the interconnectivity of the two countries' financial markets, and promote the interconnection between the Shanghai and New York stock markets; strengthen international financial governance cooperation, jointly promote multilateral and bilateral international financial cooperation, improve international financial rules, maintain national financial sovereignty interests, improve the global macro-prudential policy framework system, and prevent and resolve systemic financial risks.

#### **( V ). Jointly maintaining global energy security, food security, and ecological security**

Energy is the foundation of economic and social development, food is the lifeline of human survival and development, and ecology is the cornerstone on which humanity relies, all three are important manifestations of the common interests of mankind, and are also important bonds for realizing the community of human destiny. China and the U.S. are both major producers and consumers of global energy and food, have cooperated in addressing global climate change and protecting biodiversity, and have made positive progress. In the future, the two sides need to continue to strengthen cooperation, jointly promote the maintenance of global energy security, food security, and ecological security, and create a good environment for human social development.

China and the U.S. should jointly advocate for the international community to jointly maintain global energy security, ensure the smoothness of the global energy supply chain; enhance energy supply, maintain the overall balance of global energy supply and demand and overall price stability; promote global cooperation in the field of new energy, promote the clean and green transformation of global energy consumption structure; improve the level of global energy reserves, and enhance the ability to cope with sudden events in

the global energy field.

We should play the respective advantages of China and the U.S. in food production, tap the potential for cooperation between the two sides, and improve the efficiency of agricultural production. Enhance the resilience of the agricultural product supply chain, and reduce the instability and uncertainty facing the global food supply. Actively promote international food cooperation, promote international trade and investment in agricultural products, reduce tariff barriers, and relax market access. Deepen international cooperation in agricultural science and technology, and use technological innovation to enhance the ability to deal with food risks. Issue a common voice on food security at international cooperation forums such as G20, jointly oppose the politicization of food security issues and food protectionist policies; promote food trade facilitation measures at WTO, jointly maintain the safety of food transportation channels.

China and the U.S. should jointly promote the implementation of the goals of the "Paris Agreement", and vigorously promote the research and development and application of energy-saving, emission-reduction, and carbon-reduction technologies. Join hands with the international community to continuously advance biodiversity protection, strengthen environmental governance, and effectively enhance the ability to respond to ecological risks and disasters. It should jointly promote the green transformation of production and life. Jointly promote international cooperation in the field of low-carbon energy industries, promote the co-construction and sharing of green and low-carbon development achievements. Promote the China-U.S. climate dialogue working group to strengthen consultations, implement the "China-U.S. Joint Statement on Addressing the Climate Crisis" and the "Glasgow Joint Declaration", and quickly reach a consensus on issues such as expanding the use of renewable energy, energy security, and electricity shortages; based on the UN Framework Convention on Climate Change and the "Paris Agreement" UN multilateral governance framework, cooperate to advance the global climate multilateral process, the two countries can promote the accurate, comprehensive, and effective implementation of the "Paris Agreement" at COP28, greatly expand the interconnection and cooperation of clean energy markets and net-zero technology between China and the U.S., reach a consensus on China-U.S. clean supply chain cooperation, and jointly maintain the stability and integrity of the global clean energy supply chain system.

#### **( VI ). Jointly promoting the improvement of a fair and just global governance system**

At present, the global situation is changing and interwoven, and a new round of technological revolution and industrial transformation is emerging. The rapid development and progress of the digital economy, artificial intelligence, green

technology, and other fields have greatly impacted the original global interest pattern and have become an important force reshaping the new political and economic map of the world. The irreversible historical trend of "the rise of the East and the decline of the West" and the increasing influence of "Global South" countries have intensified the world's turmoil, people's unease, and a series of new challenges in global security and development. The original rules, regulations, management, and standards in the international political and economic fields are difficult to adapt to the development needs of new industries, new business formats, and new models. In the face of increasingly severe and complex global challenges, it is urgent to strengthen and improve a more just, reasonable, and effective global governance system that is in line with the progress of the times.

China and the U.S. should jointly promote the improvement of the existing global governance rule system. Jointly promote the reform of international organizations such as the International Monetary Fund (IMF), and promote the reform of voting rights and management rights in international organizations such as the IMF, World Bank, and United Nations, to enhance the representativeness and speaking rights of emerging markets and developing countries. Consolidate the status of the G20 as the primary platform for international economic cooperation, and promote it to play a greater role in promoting world economic growth, coordinating macroeconomic policies of various countries, and advancing global economic governance reform.

China and the U.S. should strengthen cooperation in the global governance of emerging fields. We should jointly promote the improvement of global digital governance, strengthen consultations among countries in the field of digital economy rules, and improve the interconnectivity of digital economy rules among countries. Promote the formation of cyberspace international rules that reflect the interests and concerns of all parties, especially the development rights and interests of developing countries. Build a digital cooperation platform, and deepen international exchange and cooperation in digital services and digital technology. Strengthen China-U.S. exchange and cooperation in the digital economy field, relax digital economy market access thresholds, and expand the scale of investment in the digital field. Promote the interconnectivity of green development field rules, strengthen the standard alignment of various countries in green bond certification, green fund standards, green enterprise entity assessment certification, and other aspects. It should promote cooperation among countries in the field of artificial intelligence governance, support the formation of a global artificial intelligence governance framework and standards with broad consensus based on full respect for the policies and practices of various countries, support the discussion of establishing an international artificial intelligence governance institution under the United Nations framework; strengthen international cooperation and assistance



oriented towards developing countries, bridge the intelligence gap and governance gap, etc..