Jay Kramer: I'm Jay Kramer, Director of Public Affairs at Citadel. We have a lot to get through today. This is a very big topic. I'll actually be shocked if we make it through all the things that we wanna make it through, but we will absolutely try. I'm really excited to welcome two deeply accomplished experts whose names might not always be on the front page of the newspapers but whose career-long service makes them ideal voices for today's discussion. Rush Doshi and Liza Tobin. Rush recently returned to academia after serving as Deputy Senior Director for China and Taiwan on the National Security Council, during the Biden administration. He's now a Senior Fellow for Asia Studies at the Council on Foreign Relations and an Assistant Professor at Georgetown University. Liza is a Managing Director at Garneau Global and a Senior Fellow at the Jamestown Foundation. She previously served on the National Security Council for both President Trump and President Biden, and her government service also includes roles at INDOPACOM and as an analyst at the CIA. Rush and Liza have been at the center of U.S. policy towards China for the last several years. And they bring exactly the kind of clarity and depth and experience that this conversation should have. So we'll start with some key framing and security questions, and then we'll broaden the aperture, and we'll talk about technology and some of the economic consequences of this relationship. So, Rush, let me start with you. Much of the U.S. debate focuses on how Washington should respond to China, but I'd actually like to start on the other side of that relationship this morning. Like we talked about last night, it's equally important to understand how Beijing views the relationship and the world order. Under Xi Jinping, the Chinese Communist Party has emphasized national rejuvenation, tightening controls at home, while projecting strength abroad. From Xi's perspective and the CCP's perspective, how do they view the trajectory of U.S.-China relations right now? And what's their long-term strategic goals? And, if you could layer in, I know I'm throwing a lot at you right now. Uh, if you could layer in, how does Xi's succession plan sort of factor into all that? Let's start there.

Rush Doshi: Well, thanks, Jay. It's great to be with all of you. Obviously very hard to follow the founder of the most valuable company on Planet Earth. But glad to be with all of you. And I will just say that, um, it was a great privilege to serve under President Biden, helping to run our China policy at the White House for three years. One of the first questions you always ask in that job is, "What does China want? What does China think?" Try to understand your competitor, your adversary, your partner and how they see the world. And what I think is often missed is that there's much more continuity in the way that China looks at the world. It's not all about the fact that President Xi's in charge. There's a Chinese Communist Party that's been in charge for a long time, and they have certain views that are kind of consistent, that helps you think through how they're gonna act. You raised a point, Jay, which is that President Xi talks a lot about his signature goal of achieving national rejuvenation, but that goal is not something

that President Xi invented. That goal has a history that goes back a hundred years, even more than that, since the very founding of the Chinese Communist Party itself in the 1920s. And you gotta remember, when that party was founded, it was founded at a time when China had just experienced a century of humiliation at the hands of the Japanese and European and even the American great powers. And they wanted to achieve what they call "cáifù" or "wealth and power." So when we say, "What does China want?" They want rejuvenation. They wanna make China great again. And what does that mean? That means wealth and power. And don't take my word for it. The very founders of the Chinese Communist Party, Mao Zedong and others who were prominent leaders in it, they went out and said- And when he was a, when he was a teenager, he had in his bedroom posters of top nationalist writers at the time, not communists, top nationalist writers. His successor, Hua Guofeng, when he, you know, was 14 years old, he went to France because he wanted to learn how to make China wealthy and strong again. And today, President Xi believes he can actually achieve that mission of national rejuvenation. He believes that there are great changes. This is his phrase, "Great changes unseen in the century, occurring right now." He also believes that the East is rising and the West is declining. That's also his phrase. And I think I'll end with this: If you ask, "What is President Xi's vision of success look like? What does his vision of rejuvenation look like?" It's about four things that I'd mention. I think underlying it all is to displace the United States as the world's leading state. Not because that's some kind of nefarious goal, but it makes sense, if you're China, to have that desire. Lee Kwan Yew famously said that, "Of course, China would want to do that once it was powerful enough." But here are the four characteristics: First, militarily. My first week at the White House, we were pushing back on China's pursuit of overseas military bases in places like Argentina. They want a global military. Second, on the economic side, they want the world largely more dependent on China, and China less dependent on the world, especially in manufacturing. That's what the dual circulation policy that President Xi has announced. That's what it's all about. Third, in technology, they wanna dominate what's called "the fourth industrial revolution." The theory is that history unfolds through industrial revolutions. The first was steam power. Great Britain won that. The second was electrification. The third was mass manufacturing. So think, from Thomas Edison to Ford, essentially. And all of that, America won. And now, we're at the fourth industrial revolution. They'd like to be able to win that as well. And finally, they wanna reset the default settings of the international system to be favorable to their form of government. If you put all that together, that's a sense of what China wants. And I'll end with this point. You asked about succession. All of this assumes that China can continue to grow, that their macroeconomic environment doesn't fall apart and that they don't have a massively chaotic leadership succession challenge. And that could always happen. But again, the party is in control, and the party, I think, has more continuity in its approach than people, again, realize.

Kramer: Yeah. Thanks, Rush. I think it's interesting. And you said this last night, sort of, almost de-emphasizing Xi. He's important, but, the party actually makes a lot of these choices. Liza, just a quick follow-up. To what extent do you think Beijing's approach is shaped by insecurity versus confidence in its rising power? And I guess, like, does that question matter or not? Does it matter for the outcome of the policies?

Liza Tobin: Thanks so much, Jay. Yeah, that question is a really good one, and it matters a lot. Before I get to it directly, I'll just add a little bit on what Rush laid out. His depiction of the party's ambitions. You can't really find anyone better to explain them. He literally wrote the book on it, so you should read it. But just to underline a couple things he touched on, the key obstacles that Beijing sees in its path to national rejuvenation are manifestations of U.S. power in the world. So specifically, that's things like U.S.-dominant military power, our global system of alliances, even though it's a little bit frayed, the norm of electoral democracy as morally superior to other forms of governance. Again, even though this idea has taken a beating lately, U.S. leadership and tech standards over the decades, and then U.S. financial dominance, things like the U.S. dollar being the global reserve currency, which gives the U.S. a unique capability to sanction. So these manifestations of U.S. power are exactly the constraints that Xi Jinping feels he needs to overcome. So all of this points to the fact that pluralism is actually something that makes the party very uncomfortable. And this speaks to the fundamental insecurity that is woven throughout their worldview. However, there's a big "but." In the last few months, President Donald Trump has been giving Xi Jinping reasons for growing confidence. So by, kind of, making concessions, which, in some cases, President Donald Trump probably thinks are wins, and in other cases, he knows are concessions, he's actually giving Xi Jinping and the party evidence that it's making headway towards its ambitions. What do I mean? So this started in the springtime when Donald Trump stared the rare-earth magnet crisis straight in the face and was like, "Oh my gosh, like, this dependence on China is real. The auto sector's gonna shut down." And ever since then, we've had this kind of summer of love between Donald Trump and Xi Jinping of, uh, you know, concession after concession, removing the export controls on Nvidia's H20 chip, this deal over TikTok, which Trump sees as a win and is portraying as a domestic win, but it's actually a concession to Xi, the tariff extensions, over and over, and so on. And so all of these things are evidence for the party that its strategy is working. And the longer this goes on, the more confident they'll get and the more concessions they'll push for. So we're really on this nice edge right now while we wait to see which way things tip.

Kramer: You mentioned a lot of things that we're gonna get to. But, and I don't wanna step on any of the speaker's toes tomorrow, but I feel like we can't have a China discussion unless we briefly talk about Taiwan. So let's talk about that quickly, Rush.

And then we'll sort of move to a lot of the things that Liza just mentioned. But Taiwan really does sit at the center of some of the U.S.- China tensions. For Beijing, it's a core sovereignty issue. For Washington, it's democracy. It's about credibility. It's about security. So just a basic question, knowing that, you know, others are gonna dissect this at great length tomorrow: What role will Taiwan play in the future of U.S.-China relations? And should we expect the turns to hold? Or should we expect conflict to erupt?

Doshi: And it's a hard question to answer quickly. And it was one, I spent, some weeks, 90% of my time on, having been there at the very heart of the Fourth Taiwan Strait Crisis, when Nancy Pelosi went to Taiwan. Let me just put it to you this way: There's a question of "What are the stakes? What are the risks, and what do we do?" So on the stakes, I think we all know the stakes. The last panel we just had, the last discussion we just had, all of that capability rests on a handful of facilities that are currently on Taiwan and the, the production of semiconductors that are there. And if those facilities are taken out or something happens to the electrical supply to those facilities, that entire AI build-out is gone. We don't have the ability to scale up those chips anywhere else at the level we need to be able to sustain the vision we just heard. So that's the first part. Second, Bloomberg did an estimate, which I thought was the most rigorous so far. If there was a disruption to the supply chains upon which Taiwan, or the world depends, in which Taiwan is a critical part, that global economic damage would be $10 trillion or about 10% of global GDP. If, however, it's not an invasion. Let's say it's just a quarantine or a blockade. Just a quarantine or a blockade. That's a $5 trillion damage or a 5% hit to global GDP, not even accounting for the possibility of actual kinetic conflict or economic warfare between the two parties, which then, makes it even bigger. Put all that aside. Look at where Taiwan is. If China controls Taiwan, that means that they basically have the ability to tell a lot of their neighbors what to do even more successfully than they can do right now. And more importantly, if American allies and partners think the U.S. is unable or unwilling to act in favor of Taiwan's defense, then those countries are gonna move closer to China and less, away- They're gonna move away from the United States because China's next door. America's across the Pacific. And if we didn't stand for Taiwan, we probably won't stand for them. So that's the stakes. What are the risks? And this is the critical part. This problem gets a lot of attention, but it is a manageable problem. We shouldn't completely embrace pessimism. And the reason it's manageable is because American policy can work in two ways: First, you can reassure Beijing that they don't need to act, that there's nothing to worry about. We don't support Taiwan independence. And second, you can deter Beijing and say, this is a really hard thing for you to try, an amphibious invasion, the hardest one in world history. Do you really want to take this risk today? And if you can do a combination of reassurance and deterrence, you can have stability for a little

bit longer. No one knows exactly how long, but it'll help. The problem right now, Jay, is that those pillars of stability are eroding. Deterrence is less robust, given China's massive military buildup and reassurance is less successful because Beijing has some concerns about the political leadership right now in Taiwan, which they see as a bit more pro-independence than the last leader in Taiwan. So you put all that together. That brings me to "What do you do?" And what you have to do is find a way to have real meaningful dialogue with Beijing. When I worked for President Biden, we set up a strategic channel after he met with President Xi between Jake Sullivan, the National Security Advisor and Foreign Affairs Commission Director Wang Yi. And part of that channel's job was to talk regularly about cross-trade issues and make sure that nobody got the wrong impression of what the other side was doing. I'd like to see something like that exist in the Trump administration. It does not at this moment. And the second thing we have to do is invest, invest in the foundations of American deterrence, whether that's building more drones, building more, you know, munitions or diversifying our force posture. We don't have time to get into all that, but that's the big picture. And I will end with one last point, if I could, for everybody in the room. The big question is always, "Are they gonna invade? Are they gonna blockade? Are they gonna quarantine?" But that's not the question you should be asking. The question, all of you should be thinking about is: What's gonna happen in the gray zone? Are they gonna take an offshore island? Are they gonna take the island of Kinmen, which has 120,000 people? Are they gonna over-fly Taiwan? Are they gonna launch cyberattacks? Are they gonna occupy Taiwan's contiguous zone or territorial waters and create a crisis? All of those circumstances are much more likely today than they were five years ago. So to sum it up, the risk of a high-end contingency is probably lower than people think. The risk of a low-end contingency is higher than people think. And I end with that.

Kramer: Rush, it's almost like we planed this because the next place I wanna move. I'm gonna resist the, uh, my own personal urge to ask you five follow-up questions about Taiwan. And I wanna transition to the gray zone, which you just so eloquently brought up. Liza, increasingly, the contest between Washington and Beijing isn't fought with tanks. It's fought with cyber-intrusions, disinformation, maritime militias, economic coercion, uh, these gray zone, sort of, you know, tactics are right below the level of of war. How should the U.S. and its allies respond to China's growing use of these gray-zone tools without triggering a dangerous escalation?

Tobin: Yeah. So, over the years, China has developed a tremendous amount of coercive influence over global value chains. And the term I use to coin it, to kind of explain this for myself is "brute-force economics." So it's a combination of three characteristics. Sometimes, other countries use these, but China does it to a unique

degree. So those three characteristics of brute-force economics are force, China, even more than other countries, deploys a combination of the party-state, the state-owned enterprises, the pseudo private sector, the intelligence apparatus. Their foreign affairs apparatus is whole- of-nation approach to pursue, not the individual ends of consumers or firms, but rather state ends. The second characteristic is ruthlessness. This is simply going, you know, far beyond market means to pursue these ambitions. So knocking out foreign competition with cyberattacks, you've probably heard about Salt Typhoon and Volt Typhoon ruthlessly pushing out competition, disabling our critical infrastructure. And then, scale, of course. Everybody knows this, that China's manufacturing scale and just the scale of their economy means that even if other countries occasionally use these tactics, the scale isn't the same, and China does it to a unique scale. So, you know, I think nothing, none of this is new. I think everyone's kind of tracking this, but what American policymakers over the decades have often failed to grasp is that we're not gonna persuade Beijing to stop. This is their strategy. American trade negotiators have tried for decades, I mean, at least since the late '90s, when China was getting ready to enter the WTO to say, "Hey, why don't we find a win-win outcome? You've got a massive potential consumer base. You know, please join us in this Economics 101 world of comparative advantage and making the pie bigger." You know, we've begged China for decades to kind of come around to our philosophy of how economy, the economy works. But unfortunately, it's just not the world we live in. And China is committed to their way of doing things. And what this turns into is the economic coercion and these gray-zone tactics that go beyond what we all learned about in our Economics 101 textbook. So what do we do about it? I mean, there's two options for American policymakers, and then by extension, the businesses that kind of have to live at the end of the policies that Washington makes. The one choice is to keep trying to persuade Beijing, you know, deal after, uh, trade deal after trade deal, negotiation after negotiation. Keep trying to persuade them that it's in all of our best interests if we can just behave according to market principles. Or we can accept the reality that Beijing has made its own choice and insulate ourselves somewhat from China's brute-force economics. So call it what you will. "Decoupling" is an extreme term. Maybe "de-risking" is better. I like to think of building an air gap around our most critical technologies. The thing, the things that touch our critical infrastructure control. You know, key critical dual- use technologies like AI and biotechnology create some kind of insulation and separation between these two largest economies. That doesn't mean a total decoupling. We can still do some trade, but I think that's where U.S. policymaking is right now, in trying to figure out where that air gap should be.

Kramer: We're gonna get to decoupling in one second, but Rush, I just want a quick follow-up. Given your time in the Biden administration, where, have we identified where

that line is between, sort of, coercion and competition? And how would you, sort of, articulate where that line is?

Doshi: You know, I don't think there's a clear answer on that. A lot of your strategic dependencies that we all forgot about have suddenly become tools for coercion, right? So let's just, let's go through a few. Rare-earth magnets is a kind of older technology. America was the leading producer of rare-earth magnets in the 1980s. That technology can no longer be manufactured at scale in the United States. And China's decision to withhold that capability, that supply of manufactured goods, may have ended the trade war prematurely from President Trump's perspective. The same dynamic reproduces itself in Pharma, right? Where almost all of the KSMs, key starting materials, and APIs, active pharmaceutical ingredients, for antibiotics are produced in China right now. That doesn't have to be that way. This is not exactly super-complicated science. Neither are rare magnets for that reason. Not particularly complicated engineering. Uh, but that's just the way the supply chain has gone. And now, the result is, you know, China probably won't do this, but they could always put their thumb on the scale and threaten the supply of antibiotics to U.S. hospitals. Or heparin. You may know about heparin. Heparin is useful for IVs, for kidney dialysis. That's, you know, it's basic for the hospital system. I don't think they're gonna reach for that. But you have to now think about it, right? So you look across the entire system and you see the line between basic economic interaction and coercion-slash-compellence is blurring. And this creates the kind of political risk that Mario Draghi and others were talking about earlier. That this is the new world in which we have to think about who makes something, who sells it, who packages it, who finishes it. All of those things now matter. I will add one other point, Jay, very quickly, 'cause I think it builds on what we heard from Jensen Huang, the cybersecurity vulnerability is becoming a trade issue, not just a cybersecurity issue. In that, you look at the fact that the U.S. has banned the importation of Chinese-connected vehicles. Why did that happen? It was because the American government, and I was part of this effort, and so I kind of knew about it, had evidence that China had systematically penetrated American critical infrastructure: water, gas, power, telecom, and transportation. And that would've affected literally hundreds of millions of Americans if those accesses had been activated. Now, that is a reality that is only gonna scale in a world of greater connectivity, where software eats everything, and AI is everywhere. And so if you couldn't let a car in because you are worried about that, what's next on the list? Is it medical devices? Who knows? But the reality that I think a lot of people aren't tracking is that the cybersecurity problem is becoming a trade problem. It can be resolved, and it can be solved, but policymakers have to think about it that way.

Kramer: Rush, let's stick with you. Let's talk about decoupling, de-risking. The U.S. and China, they're deeply interdependent, but both are, I would say, pursuing a de-risking, sort of, strategy. Supply chain, semiconductors, critical minerals, those are all flashpoints you both have mentioned. Yet the attempts to decouple or de-risk, they do risk global fragmentation. And so how far can the U.S. and China realistically separate, you know, their economies without destabilizing?

Doshi: Yeah.

Kramer: You know, the global system-

Doshi: Well, you know, President Biden and President Trump don't agree on a lot, but they both said something interesting, which is they're not pursuing decoupling. So I think the discussion of decoupling is a bit of a red herring. The real question is about de-risking, which, you know, we've heard about a little bit already today. How do you accomplish de-risking? I think Liza has given you a very good playbook for how you can think about that. But I just wanna put aside that playbook for a moment and just focus on the scale of China's industrial advantage because that's where the entanglement really is. You know, China is two times the United States, value-added as a manufacturer. It's two times the power generation today is building a hundred nuclear reactors and maybe 1,000 small modular reactors in the next 15 years, which will take its power generation to four times the U.S. or about even on a per capita basis. In addition, it's three times U.S. car production, 11 times U.S. cement production. No, I'm sorry, 11 times U.S. steel production, 20 times U.S. cement production. Pretty incredible statistics. OK? But those are older numbers. Let's look at the present. If you look at the whole world, China is 75% of electric vehicles, 80% of batteries, 80% of drones, 90% of rare-earth magnets, 90% of rare-earth minerals were refined and 90% of active pharmaceutical ingredients. How do you deal with that kind of scale? The last time a country had this kind of scale relative to its competitors was the United States after World War II and, actually, before World War II. The only path, and we can talk more about this later, for the U.S. to address these problems is to think cleverly, right? Where are the areas you wanna spend the capital to be able to reacquire capability? When can you rely on an ally or partner to provide that capability? And when can you work with China, maybe to even get Chinese investment to come in to be able to nationalize that capability in the United States? Those kinds of questions are the, for, at the forefront now of industrial policymakers in the United States. And anybody thinking about industrial policy is thinking about China. Every single person who worked at the Department of Commerce or anywhere else in American government, who's thinking about how to do industrial policy, this is what they have in the back of their minds. So there's no easy answer, Jay. But I do think that people in this room are gonna be a part

of that story because everything is gonna end up being some kind of partnership between the state and the market.

Tobin: I'll just, you know, in terms of where to draw the line, Jay. I think it's a really overwhelming question. I mean, if you start digging into this, our dependencies are so great, it can be overwhelming, and people can just say, "All right, let's just like go back to watching Netflix. China's taken over the world." I mean, we have to be ruthless optimists in our field, right? Rush? 'Cause otherwise, it's overwhelming. I think there's a couple of guiding principles. One is if the worst happened, and God forbid, there was some Taiwan military contingency and we were radically cut off from supply chains in China, would we have a minimum viable capability in the things we need? Like semiconductors. Not enough to supply the entire domestic economy, but the semiconductors made in Taiwan. Could we at least keep our defense systems going, a minimum viable capability in APIs and other things? The second thing is, again, going back to the air gap concept. Are we protecting our crown jewels? Are we making sure that our critical infrastructure systems, our electricity, our water, our waste water, our telecommunications can continue to function and are not subject to a foreign adversary being able to turn them off and turn them on at will in order to coerce us? So I think those are kind of two very basic principles that we need to work towards. What's interesting is that the second Trump administration actually has much broader goals. Um, the president isn't actually, right now, primarily thinking about national security when he is thinking about re-industrialization. He's thinking about reducing the deficit and going. So it's muddying the water to-

Kramer: Let me ask you about this, 'cause this is where I was headed next, which is, you worked for President Trump. You know, we're talking about national security. We're talking about what we're, we're about to start talking about the trade agenda. Tariffs. Protectionism. How should we be thinking about how President Trump is thinking about that agenda? Meaning, you sort of just cracked the door open a bit here saying he's thinking about more than just national security. He's thinking about, sort of, the revenue that's generated. So if you could maybe talk to us as a Trump national security staffer, at one point, how he's thinking about the trade agenda.

Tobin: Yeah. So there are some key differences between the first Trump administration and the second Trump administration. President Trump famously kind of tacks between deal-making and decoupling. Usually, he's a deal-maker, but occasionally he'll swing towards wanting to decouple from China. That happened in the spring of 2020. Of course, that was during COVID. He had just signed his Phase One trade deal with China, and then COVID hit and basically shut down the global economy, as you all remember. And he got really pissed off at Xi Jinping. He saw the writing on the wall, saw that his reelection chances were probably ruined, and he blamed Xi

Jinping. And he gave the order to my boss and me and my colleagues, "It's time to decouple from China." And so the rest of the term, until January 20th at 11:59 AM 2021 was basically following his orders and trying to get that done. So when he came back this year, January 20th, 2025, the question was "Was he gonna kind of pick up where he left off?" Well, no. As we've seen, he's swung back to deal-maker mode. What's happened over the spring and summer is he's basically dismembered his National Security Council. And so what's left is this kind of former shell of itself. Um, and so President Trump's natural instincts, which are to prioritize, I mean, let's face it, national security is not his top priority. Usually, it's things like trade. It's domestic priorities. And so now that he's kind of withered down his National Security Council staff to a shell of its former self, he's not getting those viewpoints presented as robustly and forcefully as he did during the first term. He-

Kramer: Do you think? Well, go ahead.

Tobin: Oh, sure. I'll just, I'll, sorry, I'm rambling, but I'll finish off. So the trade team that's advising him now came in under this term with a very ambitious vision, and that was nothing less than rewiring global trade. So their goals are pretty simple, pretty difficult, but, one is to reduce the U.S. trade deficit. That really bothers Trump. And the second is to re-industrialize the United States. So that, ever since then, has been driving this approach to trade with the rest of the world, which is to use American economic leverage to squeeze everybody, whether it's the European Union, whether it's countries, whether it's even companies for whatever economic concessions he can. FDI, lower tariffs, fewer non-tariff barriers, even equity stakes like in the case of Intel and others. So that's the approach to the rest of the world. And what's interesting is the approach to China is the exact opposite because he's recognized that China has leverage over the United States. He's actually being leveraged. He's experiencing this coercive economic approach used against himself, and he's kind of being squeezed for concessions instead of doing the squeezing.

Kramer: Let me just ask you a quick follow-up, and we just talked about it a little last night. How do you, or, how should we interpret Trump's willingness to make deals right now in light of a potential upcoming summit? And if that goes poorly, do you expect, sort of, this decoupling agenda to come back in force?

Tobin: Yeah, Jay, you've really put your finger on it. It's an important question, and I honestly don't have a clear prediction. I think I mentioned earlier. I think we're on a nice edge, and we could go either way. I would look for some indicators of Trump going one way or the other. I mean, first of all, let's just kind of baseline here. You've got the two most hubristic men in the world who want concessions from the, right now, Trump is, Xi is kind of in the poll position, eking out concessions from Trump. But, you know, do

you really think Trump is gonna be happy in that position for long? Xi Jinping might be overconfident. He might push too far, but I think I'm watching for a few indicators of which way it's going. One is on Chinese FDI, there's rumors that China's offering, you know, massive FDI into the United States. If that happened, it'd be sort of Trump conceding that, OK, Belt and Road Initiative comes to America, you know, all bets are off. That would be a huge win for Xi Jinping. Another is export controls. Will Trump decide to do as CEO Jensen Huang has asked and allow him to sell even better AI chips, Blackwell chips, to China? That would be a huge concession. I had a third, but I forgot it. So you could move on.

Kramer: The thing, lemme, Rush-

Tobin: Oh, it's Taiwan. If Trump agrees to some new language, kind of, granting Beijing aims, like, we oppose independence.

Kramer: Yeah. Something like that. Rush, I guess final question on this, and we'll move to a related topic, but it does beg the question. Do you think a full-scale decoupling while trying to reshore jobs in key industries is possible for the U.S. while trying to still maintain its technological advantage?

Doshi: I don't think anyone's talking about full-scale decoupling. Again, I think-

Kramer: If we snap, in this world where- If things break- Where Trump sort of snaps back to this 2020-

Doshi: Even then, I don't think you'll pursue it. I think what will happen, here's the question for all of us and for those of us who pay inordinate attention to the bilateral relationship between the U.S. and China, we are riveted, and we are a little concerned. What will happen in October when President Trump, if they still meet, if they meet, President Trump and President Xi, three possibilities. One, they have a grand bargain of some kind. And what Liza mentioned occurs: investment into the United States, purchases of U.S. goods, some kind of deal on TikTok that sticks, fentanyl deal, tariff reduction of the fentanyl tariffs, uh, maybe a little language on Taiwan. Second possibility: Nothing big happens at the meeting. It's a status quo. It's détente. It's the freeze of where we are now. We just grind on in this kind of uneasy truce, which is where we are. We have a truce from the trade war that we had a few months ago. And the third possibility is kind of what Liza mentioned as well, that things could go off the rails. The meeting could be fine, but then a week later, maybe there's no follow through, or maybe the meeting goes poorly. We've seen that President Trump's meetings with Prime Minister Modi didn't go well and then, all of a sudden, India had 55% tariffs. We saw his meeting with Putin didn't go well, and Melania was upset, in part that, Putin kept killing Ukrainian citizens, civilians, children. And President Trump said that publicly, that

was bothering him. And now, all of a sudden, his policy on Russia has gotten tougher. So we don't, the truth is no one knows exactly what's gonna happen at this meeting and what it will mean for Trump's China policy, but it will have an effect. And these are the three possibilities. If he goes back to the world of escalation, I don't think he'll pursue full decoupling. But I do think that the risk now is the first part of this conflict was a trade war. The second part was an export-control war, where we focused on ethane, and they focused on, uh, and we focused on licenses for aircrafts, and they focused on rare-earth magnets. And here's the third phase that I worry about. China is a goods-dominant provider, right? It wins in global goods, but it's not in the strongest position in international finance. So is there some possibility that this conflict escalates to the financial realm, sanctions on Chinese banks? Treasury department was preparing for that under President Biden. They were continuing to prepare for that under President Trump. And I think, Jay, if we see escalation, the question is less "Do we see decoupling?" It's more "Do we see escalation to the financial realm of the trade war?" Which we have not yet seen. Understood.

Kramer: So we talked a lot about technology this morning on our discussion. And so, with a few minutes left here, I wanna talk about AI, quantum and both countries', sort of, attempts to dominate these spaces. And the question, and Rush, we can start with you, is whether this is gonna become a zero-sum game, or if there's sort of space for shared rule-making. And how will these guardrails, sort of, be put together by both countries?

Doshi: Yeah, it's a great question. I think there's lots of room for positive-sum opportunity in technology, but we have to be realistic about where it's more zero sum. And I think one of the questions is gonna be on this AI chip to China question, right? That was kind of previewed earlier. I do think it would be a mistake for the United States to close its doors to Chinese high-skilled immigration. Like that would be a huge mistake. A lot of the AI industry is powered, as Jensen and others mentioned, by the diversity of our ability to import some of the best talent in the world. But on chips, it's interesting. You know, Premier Li Qiang, who was recently in New York, publicly said, this is the Chinese premier, that the biggest obstacle for China in AI right now is compute. And the CEO of DeepSeek said the same thing. That essentially, his biggest challenge right now is compute. And if you look at one area of American advantage, I gave you a whole, like, list of areas where America has industrial challenges. But there's no question that one area of American decisive advantage is we have compute, which is amazing because we have the one thing that is critical to the AI revolution. And we have that by far, right? It's all made in Taiwan. Let's be frank. But it's all designed in America. And so if we begin exporting these chips to China, it might create the possibility that they are now able to rival us in the one area we have of advantage,

which is, in fact, compute. And they can't do it on their own. They're not really able to build leading-edge chips at scale. Even the U.S. government estimates of what they could do, you know, maybe 200,000 of a particular chip called the Huawei Ascend, that's not enough to really fully operationalize an AI capability or an inference capability in China at scale. And then, you just add a few other factors on there. We talk about getting China addicted to our technology stack, but the reality is President Xi, even before Trump, even before the trade war, back when President Obama was president, said that building your technology stack on others' core components is like building a house on a weak foundation. The strongest gust of wind, the biggest rainstorm, the whole house falls down. President Xi does not want to be addicted to the American technology stack anyway. So I do think right now is a moment with this AI revolution where every chip that's sold to China, 'cause they're all made in Taiwan, every chip that's sold, there is one chip that's not sold in the United States or to an ally or partner country. And so there is a zero-sum element to compute today, and I think that should probably encourage us to basically indigenize that capability or get it to our allies and partners and not export those chips frivolously to others. But that's a controversial view. It is, I think, the mainstream view in Washington. So let me just be frank about that. But there's a piece of legislation now in the Senate called the GAIN AI Act, which is basically saying that, uh, producers of AI chips should first offer them to the United States and its allies before offering them to China. I think it's sensible legislation.

Kramer: Liza, I want to ask you the same question, but maybe I'll add a second question on top of that. So add to Rush, but do you think we're headed to a bifurcated tech stack, where other countries are gonna now have to decide which side they're on?

Tobin: Yeah, so I think Rush made a couple of really important points there about this tech-addiction thesis. You know, that you heard, you know, CEO Jensen Huang, who makes this point, this argument in a way that's very appealing. Like, I want to live in this world where we're able to sell things to China and buy things from China and have this mutually beneficial economic relationship that benefits both sides and doesn't threaten both sides. But as Rush just pointed out, that is simply not the world that Xi Jinping wants to live in. And as someone who has spent, you know, way too many hours than I want to admit, you know, as a former CIA analyst and then on in my career studying China's technology strategy, I'm afraid that this vendor lock-in hypothesis just hasn't had a good track record in China. I don't know if anyone here is old enough to remember companies like Nortel and you know, Cisco, and these companies that once had a large market share in China. You can think of Google's experience, um, Facebook's experience, Boeing and Airbus, Ericsson, these companies that used to have massive market share in China. But China's strategy is not technological

integration with the world but rather technological self-reliance. And this is something that American policymakers and business people kind of swept aside and ignored 'cause it wasn't a reality until China started making rapid progress. So I think the question that we're thinking about now is "Are AI chips a special case?" This CUDA ecosystem, the just breathtaking pace of NVIDIA's innovation and their ability to scale, which is like nothing we've ever seen in history, is the moat around these chips so wide and so deep that China will never be able to catch up? I don't know. I don't think anyone in this room knows. We'd be the richest people ever if we could know that. The question is "What is the proper role of export controls?" They're not a one-stop shop to hold China back, but rather, they're a sort of speed bump that buys the United States a little bit of extra time while we get our immigration policies right, while we do our own innovation, while we run faster at home, buy us a little bit of time so that the one unrivaled advantage we have over China in AI, which is in scaling compute, has time to grow. That was the premise behind the Biden administration's export controls that they put in place when Rush was there in 2022. And this advantage will scale over time but only if we keep the controls in place. And so, you know, again, it would be a better world that we could all live in if we could just engage in technological cooperation with China on AI. But I think we have to start with a reality check of what the party's ambitions are in this area and how far they're willing to take them.

Kramer: Thanks. Alright, Rush, I want to end where we began, which is sort of your assessment of the Chinese economy. So it's extraordinary rise since the 1980s. It's obviously been powered by rapid growth, but that that's facing mounting headwinds: slowing growth, structural imbalances, rising debt levels. In your assessment, can it sustain the economic economic engine that has fueled its rise and underwritten its global influence?

Doshi: Yeah, I'm, uh, I think that we still underestimate China, and I think that if you look at the three statistics that people cite for why China's model is slowing down or showing strains, they will have problems for China's system, but they, they may not have them on the timeframe that matters for investors or for the competition. So let's just go through them quickly. First is demographics, right? We always hear that China has a huge demographic cliff, and it's gonna, basically, its population might fall by half by 2100. But the reality is that demographics occur in waves, right? There was a baby boom in the Mao era where fertility was at six or seven, and the grandchildren of that boom are coming into the workforce today. So if you look at the statistics, the population under the age of 15 in China has actually grown as a percentage of the total population over the last 10 years. People don't know that, but the statistics are there, and you can see in the chart very clearly how echoes occur in demographics. So that means that their problems on demographics will be enormous and seriously

consequential in 20 years. Maybe they won't be as consequential, I think, today, especially if AI is able to replace some of that productivity. Second on debt, yes, China has a huge debt problem. Local governments, in particular, have a challenge because they often relied on land to finance their spending. Here's the reality though. I think if you were to compare China's total debt, you know, household, corporate, government, et cetera, SOE, all that, local government, it's actually not that dissimilar from total U.S. debt on similar metrics, about 300%. People can debate those numbers, but those are the numbers that we were going off of, at least, when I was serving. And they're kind of interesting to see. And then, finally, you know, people talk a lot about how China's got massive economic slowdown, which I think is true, but we also have to measure that against the fact that even as the macroeconomic environment turns more negative, China's technology capabilities are pretty impressive. We're seeing China achieve breakout in innovation. We have, it has the highest number of, per patents, in the world. It has the highest number of top-sided publications, more than the United States. All of this creates some enduring technological advantage. And so we have this contradictory picture. We have a macro environment that is challenged, but maybe not as challenged as some might say. And we have a technology stack that is increasingly formidable. And how you weigh that in your analysis comes up, that basically shapes your assessment of just how competitive China's gonna be. I'll end with one very quick thing. You know, it's often thought that the U.S. is, you know, "What are we gonna do? How are we gonna possibly be able to minimize the dependencies that have cultivated, been cultivated over time on China?" I will say that is a solvable problem. What is much more questionable, what's much more important, is that the U.S. continues to maintain its leading innovation. We can find a way to bring back rare-earth magnets production, but we also have to find a way to win robotics. an area where China is at the leading edge and we are falling behind.

Kramer: Rush. Liza. Thank you so much. We have one minute left. So I'm gonna wrap this up because we are the only thing standing between everyone and lunch. That's not a good place to be. And the next question I have, you know, has like five parts. So thank you guys very much for making some time. This was a great discussion. I know we could have stayed up here a lot longer, but I appreciate everything. Thank you.

Tobin: Thanks.

Doshi: Thank you.