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Resilience and Reform

U.S.-CHINA RELATIONS AND THE GLOBAL ECONOMIC ORDER

EDITED BY SCOTT KENNEDY

Preface

By Scott Kennedy

Track two dialogues are meant to be safe spaces for conversations among nongovernmental experts on challenging policy issues. They typically are off the record, or at least on background, with the views of specific participants not shared beyond the room. This principle has applied to the U.S.-China Global Economic Order (GEO) Dialogue over its 11-plus years of gatherings.

Dialogue organizers do everything they can to facilitate frank and freewheeling discussion, encouraging individual participants to express their personal views. In the U.S.-China context, achieving this is difficult because of the bilateral rivalry and fears participants may have about expressing views that are not "politically correct." To overcome these anxieties and get the ball rolling, the GEO Dialogue recently began to start each gathering with an anonymous survey. To foster discussion, respondents identify as either a "Chinese" or "international" participant, so that participants can see to what extent coming from a Chinese institution or from the United States and elsewhere might shape one's views. Survey questions also touch upon the U.S.-China bilateral relationship, the state of the global economy, economic security issues, finance, and climate. Unexpected similarities and differences of opinion between Chinese and international participants have emerged as a result of the survey, but so has a surprising range of disagreement within each of the two cohorts.

The original aim of the survey was to spur internal conversations. In violation of typical social science methods, the authors encouraged respondents to step forward and defend their choices, which they did quite enthusiastically, even when their position set them apart from others from their cohort. The survey, which was carried out at each of the three most recent meetings (May 2025, January 2026, and July 2026), proved so fascinating and insightful that, with the permission of the dialogue participants, we are publishing the survey results in this CSIS white paper. Because of the small number of participants, all of whom are experts on these issues and, by dint of their attendance, have a strong interest in promoting greater

U.S.-China understanding, the results should not be seen as nationally representative or even reflective of the entire expert community of both societies.

In the next section, CSIS's Ryan Featherston briefly provides some additional information about the survey process and then summarizes the results of the three surveys across the key issues, including the global economy, trade, technology, finance, and climate. Readers may see three kinds of patterns. First, the results will show some areas where differences of opinion between countries are not surprising; for example, Chinese and international respondents all believe the World Trade Organization (WTO) is not operating effectively, but they offer different reasons as to why. Second, there are areas of surprising overlap (e.g., in concerns about growing protectionism). Third, readers will notice significant changes over time, such as the proportion of international participants who believe in the endurance of the U.S.-China trade truce, first established in October 2025.

The paper then features brief comments on the surveys and trends in U.S.-China relations from five participants from the GEO Dialogue. Their analyses reflect how the dialogue is pushing all participants to consider and evaluate issues from a variety of perspectives. (They are providing their personal opinions, which do not necessarily reflect the opinions of their home institutions.)

Finally, the white paper visually presents the results of the three surveys. The number of overall respondents for each survey is reported, but for each question, we only provide the percentage of respondents for each answer. Readers are welcome to cite the survey results if they properly acknowledge this white paper and the GEO Dialogue as the source.

The authors are grateful to CSIS leadership for supporting the GEO Dialogue over the course of the past 11 years and entrusting the dialogue to the Trustee Chair in Chinese Business and Economics for the past three. The Trustee Chair's staff, particularly Senior Program Manager Isabella McCallum and Associate Fellow Ryan Featherston, have worked tirelessly and effectively to plan and implement multiple complex gatherings.

CSIS is lucky to have four supportive organizational partners: the Peterson Institute for International Economics, the Shanghai Institutes for International Studies (SIIS), the Chinese Academy of Social Sciences (CASS) Institute of World Economics and Politics (IWEP), and the CASS Institute of American Studies. The core of the dialogue is made up of the individual participants, who hail from these organizations as well as other universities and research organizations in the United States, Canada, China, and Europe. The organizations and participants routinely debate substantive issues, but through word and deed, everyone has shown they are committed to genuine dialogue. Put another way, participants may disagree with each other, but they are never disagreeable.

Finally, I am deeply grateful to the Andrew Carnegie Foundation (previously the Carnegie Corporation of New York) for its unwavering support of the GEO Dialogue. Special thanks to Stephen Del Rosso, who most recently served as vice president of the international program until his retirement in March 2026, for his invaluable guidance and foresight over the years, and to Jonathan Tepperman for his continued encouragement of these activities.

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The Surveys: Background and Key Takeaways

By Ryan Featherston

The Context

The goal of the three GEO Dialogue surveys—the first held in May 2025 in Washington, D.C., the second in January 2026 in Shanghai, and the third in Geneva in July 2026—was to get a baseline of views among conference participants at the outset of the meetings. Questions focused on the state of U.S.-China commercial relations and various aspects of the global economic order. The repetition of the survey, albeit with slightly adjusted questions and participants on each occasion, made it possible to see changes in views over time.

Participants and observers took each survey by scanning QR codes, with separate surveys provided for Chinese and international respondents. For the purposes of these surveys, "international" refers to non-Chinese respondents, with most in this category residing in the United States. There were typically fewer than 20 members of each group at the conferences, and those present were all highly versed in these issue areas, so the surveys should not be interpreted as reflecting broader national sentiments. Nevertheless, comparing responses between Chinese and non-Chinese respondents shows valuable trends over time.

The surveys provide a window into the respondents' evolving assessments of the state of U.S.-China relations and competitive dynamics in different domains, and developments within the international economic order. The responses show broad agreement in many areas, such as the need for reform of the global trading system, a belief in the continued role of the U.S. dollar as the global reserve currency, and the potential impacts of many of the Trump administration's economic policies, particularly tariffs. Perceptions varied starkly between Chinese and international respondents around the use of tools including export controls, the utility of global platforms such as the G20 and Asia-Pacific Economic Cooperation (APEC), and the prospect of China stepping into perceived leadership vacuums left by the United States. Finally, there were some areas, such as trade policy and agreements, where the overall pattern of views shifted over the course of the meetings.

Trade

Trade was one of the areas where participants' perceptions changed most from May 2025 to January 2026. When participants convened in May 2025, the **"Liberation Day" tariffs** announced in April had created enormous uncertainty about how U.S. trade policy would proceed. With China as the apparent primary target, most participants expected the United States itself to bear the brunt of the new tariffs.

Things turned out differently: While tariff rates remain well above their twenty-first-century average, the Trump administration blunted its own actions through a series of deals and exclusions—most notably **a rapprochement with China** following tit-for-tat escalation and wide-ranging exemptions on electronics and other categories. By January 2026, participants were far more focused on how these disruptions had landed on other trading partners, particularly Europe, which has been grappling with a **surge in Chinese exports**.

The U.S. Supreme Court's **decision** on the use of the International Emergency Economic Powers Act also removed a key tool from President Trump's arsenal. The administration has signaled it will pursue tariffs through **alternative instruments** such as Section 122

and Section 301 investigations, though both carry limitations: Section 122 permits tariffs for only 150 days, and Section 301 proceedings are typically drawn out.

The July 2026 meeting in Geneva featured new questions focused on global imbalances. Both Chinese and international participants broadly agreed that current global trade imbalances were either an "extremely serious" or "somewhat serious" problem, with only 15.4 percent of Chinese participants saying they were a "minor" problem. Disagreements were more prevalent when participants were asked the best way to resolve these imbalances—84.6 percent of Chinese participants thought that the United States and Europe expanding their openness to Chinese investment would help resolve the issue, while a more modest majority of 58.8 percent of international participants thought China rebalancing its domestic economy would be the most effective solution.

The survey prior to the Geneva meeting also featured two targeted questions on the WTO. Both sides agreed in the May 2025 meeting held in Washington that the global trading system was in need of reform. However, the participant responses in July added color to this general assessment. International participants were more pessimistic than their Chinese counterparts: 52.9 percent said that the WTO was "somewhat valuable" to advancing the prosperity of the global economy, while 46.2 percent of Chinese participants said it was "highly valuable."

On concrete reforms, Chinese participants thought that the WTO should be more restrictive in certain respects—their top two reforms were "creat[ing] rules constraining the use of economic security tools" (34.6 percent) and "reforming the dispute resolution system to be faster and fairer" (26.9 percent). International participants, meanwhile, saw flexibility as the way forward, with 30.3 percent choosing "[The WTO should] more directly encourage plurilateral agreements among a subset of members" and 18.2 percent choosing "[The WTO should] allow members greater flexibility to use industrial policy and set tariffs on their trading partners."

Finance

On finance, there was broad agreement that the dollar's status as the world's reserve currency would remain stable for the time being, though Chinese participants expressed greater optimism about renminbi (RMB) internationalization in 2026. The dollar has experienced notable depreciation this year amid the "**sell America trade**," yet has held its position as the world's primary reserve currency.

RMB internationalization has been most visible in payment flows: According to **Swift data**, the RMB accounted for 2.73 percent of global payments in December 2025 compared to 50.49 percent for the dollar. The RMB has also grown as a share of China's own trade settlement, supported by the expanding use of China's alternative settlement mechanism, the Cross-Border Interbank Payment System.

Technology

On technology, participants from both sides agreed in January that China's AI advantages lie primarily in applications and integration rather than in achieving artificial general intelligence. While Chinese models have displayed impressive results, high-level government policy appears to still favor the proliferation of AI applications across industrial automation, humanoid robotics, and healthcare. U.S. models remain at the frontier, backed by heavy capital investment in data centers and leading-edge chips.

At the Geneva conference, participants were asked to identify the two most urgent areas for global governance of AI. Opinions were generally divided, though both international and Chinese participants agreed that imposing constraints on the use of AI in warfare and managing the cybersecurity risks of advanced AI models were the two top priorities for expanded governance.

Export controls remain a flashpoint: At the Geneva meeting, participants were asked to appraise both sides' use of export controls and economic security restrictions more broadly. Chinese participants were generally split, with a modest plurality (38.5 percent) saying they felt the U.S. had "gone too far," 30.8 percent agreeing that both sides had "gone somewhat too far," and 23.1 percent agreeing that both sides had taken "appropriate steps." International participants were more likely to ascribe blame to both sides: Roughly 29.4 percent thought both sides had "gone much too far," and 52.9 percent thought both had "gone somewhat too far." Chinese participants' views at the Geneva conference had generally softened compared to earlier responses in which they were more likely to blame the United States as the original initiator of the tit-for-tat escalation in the use of these tools.

Energy and Climate

In May 2025, participants worried that U.S. trade actions would disrupt the global energy transition. While the full impact of U.S. policy changes is difficult to assess, the global energy transition continued: **Announced** and in-progress wind and utility solar projects expanded by **11 percent** last year, and China maintained record exports of electric vehicles, batteries, and solar panels. By January 2026, participants were more uncertain about the trajectory of U.S. energy policy.

The Trump administration has rolled back Biden-era clean energy support and moved aggressively against domestic climate regulation, including **repealing the endangerment finding** that underpins U.S. climate rules. At the same time, the administration has expressed support for a narrower set of zero-carbon technologies, including nuclear power and next-generation geothermal.

U.S.-China Relations

The January discussion also addressed the overall trajectory of the U.S.-China relationship. The vast majority of both international and Chinese participants identified "managed decoupling in strategic sectors" as the most likely path forward (87 percent and 76 percent, respectively). Chinese participants were more confident than their international counterparts that the current détente would hold, with 29 percent expecting it to last until the end of the administration, compared to just 13 percent of international participants. Most international participants (60 percent) thought the ceasefire would last a maximum of one year.

The results of the July discussion in Geneva yielded similar results, with a sizable majority (61.5 percent) of Chinese participants believing that the period of "constructive, strategic stability" would last until the end of the Trump administration. In comparison to January, international participants had become more convinced of a durable détente: A plurality of international participants (41.2 percent) thought the truce would hold until the end of 2026, and another 29.4 percent were even more optimistic, believing it would either last through the end of the Trump administration or "well into the next U.S. administration."

Overall, participants were more confident than after the first year of the second Trump administration—marked by false starts and rapid escalation—that both sides now have a

clearer sense of each other's leverage. One Chinese participant suggested that President Trump himself may be the most pro-China voice in the White House. Participants also noted that both leaderships face significant domestic preoccupations this year, reducing appetite for confrontation.

The year 2026 has offered several points of direct engagement between the two leaders: President Trump's visit to Beijing in May and President Xi Jinping's visit to Washington in September. There remain several other points of potential engagement in the form of APEC in Shenzhen and the G20 Leaders' Summit in Miami later this year. So far, both sides have generally opted to maintain the détente, though the Trump administration appears to prefer shorter extensions—at the summit in September, the trade truce between the two sides was extended only until January 10, 2027.

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The Broken Global Economic Order Hangs on Three Core Links

By Yves Tiberghien

The U.S.-China GEO Dialogue reached new levels of intensity and engagement in 2026. Delegates from both sides converged toward two common contradictory observations: First, all agreed that the global economic order is undergoing unprecedented shocks and turbulence—most recently, a **global energy shock** as a result of the ongoing wars in the Middle East and Ukraine. Global current account imbalances are also **significant risk factors**. Second, all expressed their surprise that the global order has exhibited surprising levels of resilience so far. Indeed, despite the greatest trade war since the 1930s, roughly 72 percent of world trade continues to operate by most-favored-nation rules, according to **the latest WTO report**. And both Chinese and international participants saw some durability in the current U.S.-China trade truce, even though the international side was less optimistic about how long it would last.

This essay argues that underpinning this resilience are three core links: (1) a productive and ongoing U.S.-China dialogue, (2) the variety of initiatives by middle powers, and (3) the remaining G20-minus-1 initiatives (e.g., the **WTO initiative** on e-commerce) that keep bringing together world economies, including China.

The first survey showed that both Chinese and international participants expected conflict over trade in 2025 to harm the global economy. Concerns were primarily for the U.S. economy and, to a secondary degree, the economies of China and Association of Southeast Asian Nations (ASEAN) connector countries. By contrast, responses to the January 2026 survey expressed overwhelming surprise at the level of strength these economies showed despite the persistence of sweeping U.S. tariffs and trade penalties. Vietnam, for example, **was directly targeted**, but its trade-in-goods surplus with the United States increased from about $123 billion to $178 billion, according to **the U.S. Census Bureau** (these numbers are increasing further in 2026, and the surplus will pass $200 billion for the full year).

Respondents agreed that the biggest losers of 2025 in the global economy were Europe and some less developed countries. This remained true in summer and fall of 2026.

Scholars from both sides observed that the majority of affected countries decided not to retaliate against the Liberation Day tariffs and to avoid taking similar tariffs against other partners, thus preventing a cascading propagation of tariffs. Indeed, they mostly kept trading according to WTO rules. And they kept convening in regular global economic meetings (e.g., G20 and the United Nations) and regional meetings (e.g., ASEAN+ and APEC). Likewise, global financial markets and the U.S. dollar showed high degrees of resilience, probably due to the large counteracting effects of massive AI investments and careful adjustments of trade and financial policies by the U.S. Treasury Department and Federal Reserve Bank.

That said, Europe, Canada, Japan (to some extent), and many developing countries suffered damage and trade losses. Most of the United States' northern allies also had to agree to costly deals in terms of trade, purchases, and investment commitments in the United States. Global uncertainty and risk have increased, a trend accelerated by the U.S.-Israeli war in Iran in 2026.

Going forward, the stability of the global economic order will likely depend on three links.

The first is the continued resilience of the global market to withstand ongoing shocks. Trade, finance, and currency strength all depend on trust. The latest upheaval is the massive opportunity presented by AI development and investment in the United States. In early fall of 2026, the feverish excitement around AI was tempered by numerous warnings over its threat to humanity: As Anthropic CEO Dario Amodei **cautioned**, "we must pace the frontier."

The second link is the bilateral global cooperation between the United States and China. At the July 2026 GEO Dialogue, both Chinese and international participants emphasized the significance of President Trump's visit to Beijing in May and of the planned visit of President Xi to Washington in September. Additionally, both leaders plan to attend the APEC summit in Shenzhen in November and the G20 meeting in Miami in December. Given the massive influence of both countries, successful summits go a long way in stabilizing markets and relations in the midst of disruption. Cooperation between the United States and China signals to the world that other conflicts will not escalate to a systemic level. In the dialogues, the Chinese side appears confident that significant agreements are possible. The international side sees the cooperation more as a tactical truce for now.

The third key link relies on the growing leadership of middle powers in the vacuum left by the United States. The year 2026 has witnessed the **urgent call** by Prime Minister of Canada Mark Carney to middle powers to act as one, "because if we're not at the table, we're on the menu." His call has generated significant momentum and interest, even though the actual impact on the global order remains limited. In the Global South, there is a growing willingness and intentionality by key countries to support multilateralism (while reforming it) and refuse to align with great powers through increased **hedging strategies**. Innovative initiatives and new types of trade agreements are multiplying among middle powers, such as agreements between the **United Kingdom and India**, as well as agreements with the European Union and **India**, **Mercosur** (the Southern Common Market), and **Indonesia**. South-South agreements are also multiplying, such as **China-ASEAN 3.0**, **United Arab Emirates-Philippines**, **Singapore-Mercosur**, and many more within the last 18 months alone.

Middle powers have also played a key role in approving and diffusing new principles of open digital and e-commerce connectivity through **an agreement** made on the margins of

the Cameroon WTO Ministerial on March 28, 2026. The agreement was supported by China and most middle powers; non-signatories include the United States, India, Brazil, South Africa, and Turkey. The EU middle powers, South Africa, Brazil, India, the African Union, and others played a key role in insisting on a full G20-minus-1 **declaration** at the South African G20 in November 2025.

In sum, the global economic order is under duress. But some degrees of resilience remain. And new links are being found to buttress it, including the core U.S.-China dialogue.

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The Global Economic Order: Are We Moving from Stalemate to Intentional Decoupling?

By Mary E. Lovely

The **Busan framework agreement**, agreed to by President Trump and President Xi in October 2025, stabilized, at least temporarily, the U.S.-China relationship. Under the agreement, the United States reduced its tariffs on Chinese goods by 10 percentage points and suspended for one year its September Entity List expansion to certain Chinese foreign affiliates. In exchange, China removed its retaliatory tariffs, agreed to approve rare earth exports, and promised to purchase more U.S. soybeans. All participants at the January 2026 GEO Dialogue in Shanghai welcomed these de-escalatory moves after a contentious year in bilateral relations.

Although the promise of a year-long détente brought a shared sense of relief, international and Chinese participants viewed the Busan framework in different ways. Chinese participants were more confident than their international counterparts that the agreement would hold, with 29 percent expecting it to last until the end of the Trump administration, compared to just 13 percent of international participants. Chinese participants seemed happily surprised by their government's use of its near monopoly on refined rare earth elements to force the United States to do what it did not want to do—barter with national security instruments.

International, particularly American, participants hesitated to call the framework a "deal," seeing it as a significant weakening of the United States' hand and a clear break from its past negotiating positions. Their low confidence in the durability of the agreement reflected concern about the limited constraints on President Trump's trade and national security actions and his willingness to act without deliberation.

The current détente can be described as a stalemate equilibrium, supported by credible threats of destructive retaliation if either side moves to violate the agreed-upon terms. While stability has been achieved for now, the situation is inherently unstable. Peace is maintained by fear of escalation. Multiple anticipated meetings between the two countries' leaders reflect the critical need for continuous signaling and active crisis management. Before the next GEO Dialogue is convened, it is worth examining how actions taken since the Busan meeting reinforce or decay the credible threats that support the current equilibrium.

Clearly, the United States and China are each actively pursuing defensive strategies to move the current stalemate toward a preferred outcome. Although a destabilizing shock may come from an unexpected source, the two nations are taking actions to eliminate vulnerabilities and destabilize the current balance.

China has progressively diversified both its import sourcing and export destinations. Indeed, since **the 2018–2019 trade war**, Chinese producers have **expanded their manufactured goods** export dominance even as their **share of the U.S. market has fallen**.

On the technology front, China continues to seek enhanced self-reliance in advanced semiconductors. The latest Chinese Communist Party **Five-Year Plan** doubles down on industrial upgrading, technological self-reliance, green development, and national security. A key goal is to reduce the country's dependence on foreign-made advanced chips, software, and equipment.

The United States is actively developing new sources of the rare earth materials that enabled China to achieve the Busan stalemate. Two initiatives stand out for their potential in reducing U.S. vulnerability, even if progress will be slow. The first is the expanded **Critical Minerals Agreement**, which aims to move beyond trade cooperation toward active market-making to encourage rare earth mining and refining. The second is the State Department's **Pax Silica initiative**, a platform for U.S. and allied cooperation on artificial intelligence and supply chain security.

If done with care, these moves toward intentional decoupling through greater self-reliance and purpose-built alliances can produce a more durable peace. The duplication inherent in decoupling will reduce efficiency and raise the cost of technology, defense, and energy transition. But by substituting reduced economic exposure for mutual deterrence, intentional decoupling may offer a viable alternative to the fragile stalemate achieved in Busan. The challenge is moving from one equilibrium to another; what happens when one side reduces its vulnerabilities more quickly than the other?

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The Global Economic Order: Short-Term Resilience, Long-Term Reordering

By Xu Qiyuan

The global economic order has recently encountered a series of successive shocks—tariff escalation, export controls, war, and geopolitical fragmentation. Nonetheless, the system has not descended into outright disorder. Global trade still functions, the dollar remains dominant, and multilateral platforms continue to operate. But this resilience should not be confused with stasis. Beneath the surface, the logic of the system is changing, as states increasingly redefine the balance between security and efficiency, rules and power, and openness and strategic control.

The U.S.-China trade war has persisted for eight years, since 2018. Over that period, the world has also witnessed the outbreak of Russia's war in Ukraine, the Israel-Hamas conflict, Trump's "reciprocal tariffs," and the joint U.S.-Israeli war with Iran. In April 2025, even ***The Economist*** **acknowledged** that China's earlier notion of "great changes unseen in a century" had proved prescient. Any one of these developments could have dealt a major blow to the global economic order. Yet what has been observed over these years is not a rapid breakdown of the system, but rather a form of "stability through reorganization." This suggests that, although the existing order has clearly been damaged, its internal stickiness, path dependence, and institutional inertia remain powerful.

A sector-by-sector view helps clarify this pattern. Trade has been the most heavily and directly affected area. Global value chains have undergone visible restructuring and adjustment, but the fundamentals have not changed: China remains the world's **largest manufacturing power by share of global output**, and the United States remains the **world's largest trade-deficit country**. At the same time, most countries have not abandoned the rules-based trading system; rather, they continue to seek its reform. Finance likewise displays resilience. Although many countries are pursuing some form of de-dollarization, GEO Dialogue surveys suggest that most participants consider the dollar's position to be stable. In fact, both **Swift data** and the continued dominance of U.S. equities in global market capitalization support that conclusion. Technology, meanwhile, reflects a pattern of intensified competition alongside continued functional differentiation. U.S.-China rivalry has deepened in areas such as advanced semiconductors and AI chips, but the GEO surveys indicate that the two countries' respective strengths have not fundamentally changed. The United States still holds a clear advantage in original frontier innovation—creating—while China continues to hold an important advantage in scaling and application—iterating. Energy and climate also demonstrate resilience. The global green transition has not been derailed by policy reversals in the United States; if anything, geopolitical conflicts such as the war in the Middle East may even have **accelerated it**.

It seems that, at least in the short term, the immediate destructive impacts of geopolitical conflict and Trump-style policy shocks may have been overestimated. The global economic order has in fact displayed considerable resilience. Over the longer term, however, the consequences of these shocks may begin to appear in unexpected ways, as they are quietly reshaping how states understand security, efficiency, rules, and interdependence—and, in doing so, altering the underlying operating logic of the global economic order itself.

For that reason, the resilience displayed by the current system does not mean that the old order can continue unchanged. A more plausible scenario is that the global economic order is moving away from a highly integrated liberalized system and toward a form of selective interdependence bounded by security considerations. In the short run, the system has proved more stable than many expected. In the long run, however, the changes may prove far more profound than they currently appear. That may be the defining—and most cautionary—feature of the global economic order today.

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A Frog in Boiling Water: The Fragile Truce in U.S.-China Relations and the Strained Resilience of the Global Economic Order

By Ye Yu

The U.S.-China GEO Dialogue began in 2015, an era in which the U.S. and Chinese governments held bilateral strategic and economic dialogue regularly and agreed to coordinate on global economic issues through the G20 and other multilateral economic institutions. After the Trump administration took office in 2017, "strategic competition" became the new defining framework of U.S.-China relations, while the global economic order experienced severe challenges. China pursued complementary reforms of the system, including through steps to gradually increase its responsibilities and contributions, while the United States sought fundamental restructuring to better align the global order with Trump's "America First" priorities.

For Trump, the restructuring represented a rebalancing between the United States and the entire world—but at its core, it was about China. This explains why the GEO agenda has increasingly been dominated by the turbulent U.S.-China trade war. Fortunately, the results of the three surveys show growing agreement among participants that since the Busan framework agreement was signed by the two leaders in October 2025, the bilateral economic relationship has stabilized. Chinese experts tend to believe the deal will last, as China has mastered the "trump card" of countering the United States in areas such as rare earth supply. International experts are more concerned about the chaotic nature of Trump's decisions and the impact of other unexpected events. Furthermore, international participants acknowledge that the "deal" is more akin to a "truce" than achieving peace. The U.S. strategy toward China may shift from a direct, confrontational approach of decoupling to an indirect, gradual strategy—akin to a frog in boiling water—asking China to continue large-scale purchases of American commodities while simultaneously encircling China by pressuring countries from Latin America, Africa, and the Global South more broadly to quietly sever ties in ways that would harm China's interests in global supply chains. Therefore, the two leaders' new positioning on constructive strategic stability in bilateral relations and the exceptionally high-level mutual visits have not fundamentally alleviated concerns about the long-term challenges in U.S.-China relations.

Regarding the broader global economic order, GEO participants have witnessed the divergent impacts of America First policies in different areas. The global multilateral trading system suffered the most severe disruptions. During the first Trump administration, the WTO's dispute settlement **mechanism was paralyzed**. So far, the second term has prioritized **dismantling fundamental multilateral principles** including most-favored-nation treatment and special and differential treatment. In contrast, the international monetary and financial systems have remained relatively resilient. The United States did not exit the International Monetary Fund or the World Bank, but it insisted on aligning the institutions' agendas to U.S. policy. This divergence reflects the United States' asymmetric decline in manufacturing, trade, and finance. International participants are more confident in the dollar's global dominance and maintain strong skepticism toward the RMB's internationalization. This explains why the postwar international economic order has become increasingly fragmented and instrumentalized, yet has not undergone complete collapse.

Two key forces contribute to the resilience of the global economic order. First, multilateral institutions have adapted by **diversifying budget** funding sources so as to expand their decisionmaking autonomy. Second, countries in the Global South, such as those in Southeast Asia, remain committed to participating in global value chains, while middle powers, such as Australia and Canada, seek to safeguard their interests through **multilateral frameworks**—both of which bolster the existing international economic order's resilience.

However, this resilience is contested. Against the backdrop of two wars dragging on and the AI investment risks building up, potentially triggering stagflation and interest rate hikes, the U.S. Treasury bond market and the U.S. dollar's privileged status face unprecedented challenges, while the RMB has failed to quickly gain momentum. The focus of U.S.-China competition over global economic rebalancing has shifted from trade to the deeper waters of monetary and financial domains. Precisely because of this, the G20's return to the United States this year has not only failed to serve as an opportunity for China and the United States to once again lead cooperation in global economic governance, but has instead exposed the fact that bilateral tensions between the two countries may exert greater spillover effects on the global economic order.

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Optimal Strategies for Middle Powers in the Era of Great Power Competition

By Su Qingyi

In the era of great power competition, middle powers are confronting an unprecedented strategic test. As revealed in the January 2026 survey of the GEO Dialogue, the tariff war launched by the United States against China has led to the fragmentation of the global economy, and third-party countries are also suffering losses. The term "middle powers" typically refers to countries that possess a certain economic scale, regional influence, and military capability, yet are unable to compete comprehensively with superpowers. Such countries include advanced economies such as Australia, Canada, and several major European Union member states, as well as emerging powers such as Brazil, India, and South Africa. Although their national circumstances vary widely, they share the same middle-power trap: They have difficulty developing proper strategies, and viable strategies, once conceived, are difficult to put into practice.

In terms of strategic choices, middle powers can generally be categorized into two orientations: dependency on a particular superpower, or a balancing strategy. However, these two orientations are far from a simple dichotomy, as there are rich variations and gradations within each. Even when choosing a dependency strategy, the degree, domain, and manner of dependency vary greatly. Some countries opt for comprehensive alignment, binding themselves closely to a major power across multiple dimensions such as security, economy, and diplomacy. Others choose limited dependency, maintaining close cooperation with a particular major power in certain key areas (such as security and defense) while

retaining relatively flexible space in other areas (such as their global economic, trade, and investment orientation). Likewise, a balancing strategy is analogous to variable geometry. Balancing can manifest as maintaining equal distance between major powers, as strategically leaning toward different major powers on different issues, or as enhancing collective bargaining power through regional cooperation mechanisms to offset excessive reliance on a single major power.

Advanced middle powers that have traditionally been heavily reliant on the United States—such as the European Union and Canada—are showing a trend of shifting from excessive dependency toward a balancing strategy. This adjustment stems not from alienation from the United States, but from a sober recognition of their vulnerability in the era of great power competition. The European Union, through its strategic autonomy agenda, seeks to reduce its dependence on the United States in areas such as defense and energy. Canada, while maintaining close ties with the United States, is also seeking to diversify its connections with other regions, including the Asia-Pacific and Europe. This adjustment shows that even countries with deep institutional and value-based bonds with the United States are beginning to recognize the risks of excessive dependency. For most middle powers, a balancing strategy seems to be an increasingly attractive option.

In contrast, Japan stands out. As one of the most important middle powers in Asia, Japan has chosen a strategy of closely following the United States amid great power competition. This choice is shaped by profound practical logics: The deep integration of the two countries in economic and technological fields and shared geopolitical concerns about the rise of regional powers all contribute to Japan's decision. Yet even Japan carefully calibrates the extent of its dependency, maintaining its security alliance with the United States while striving to preserve economic cooperation with regional powers to avoid falling into a zero-sum confrontation. This case illustrates precisely that dependency and balancing are not diametrically opposed; middle powers often seek subtle positions somewhere in between.

However, regardless of the strategy chosen, middle powers face two traps. The first trap lies in the inherent uncertainty of strategic choice. A dependency strategy may bring security guarantees and economic benefits, but at the cost of diminished strategic autonomy; once relations between major powers deteriorate, the dependent side often bears the brunt. A balancing strategy may seem more prudent, but as great power competition intensifies, maintaining balance becomes increasingly difficult. Major powers simultaneously step up both their courting and their pressure on middle powers, making it extremely demanding to navigate deftly between them. More critically, the optimal strategy is often dynamic; as the dynamics of great power competition shift, a strategy that works today may become obsolete tomorrow.

The second trap lies in the limited capacity for implementation. Even if a middle power can identify its own interests and devise a theoretically optimal strategy, it may not have the capability to execute it. This shortfall in capacity manifests at multiple levels: Economically, middle powers may lack sufficient market size and technological strength to support genuine strategic autonomy; diplomatically, they may struggle to muster enough international influence to counterbalance the pressure from major powers; and domestically, political polarization and social fragmentation often undermine the continuity and consistency of state action. As a result, many middle powers often find themselves in the awkward position of knowing what is optimal yet being unable to achieve it.

Beyond these traps, an issue that is often overlooked is the irreconcilable contradictions within the group of middle powers themselves. There are significant divergences in interests and perceptions between advanced-economy middle powers and emerging-economy middle powers. On issues such as trade rules and climate change, these two categories of middle powers often find themselves on opposite sides. Advanced middle powers tend to defend the rules and standards of the existing international order, while emerging middle powers are more concerned with development space and fair treatment. Such internal divisions make it difficult for middle powers to undertake unified strategic coordination as a group, weakening their ability to engage in collective bargaining with major powers.

In conclusion, it is no easy task for middle powers to safeguard their own interests in the era of great power competition. They must carefully choose their positioning amid the rivalry of major powers, forge internal consensus and enhance strategic implementation capacity, and simultaneously bridge internal differences to seek the greatest common denominator of shared interests. An effective strategy may not lie in simply choosing between dependency and balancing, but rather in building a dynamic, multidimensional strategic framework that combines resilience and flexibility, tailored to their own national conditions, regional environment, and the evolving international landscape. Within such a framework, middle powers must have enough strength to defend their core interests and enough wisdom to maintain openness and channels for cooperation amid competition.

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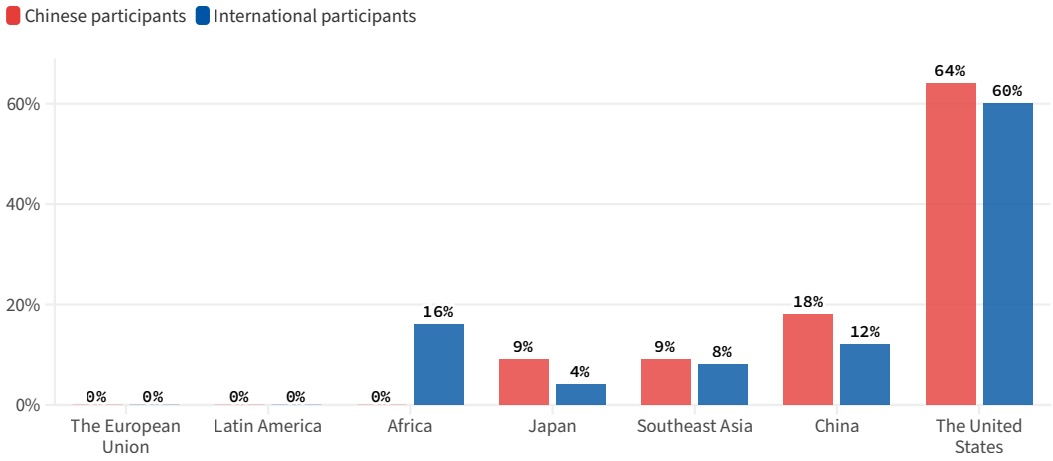
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Appendix I: The May 2025 Survey

FIGURE 1A

Question 1—Which country/region's growth will slow the most in 2025 as a result of trade frictions?

Share of participant responses

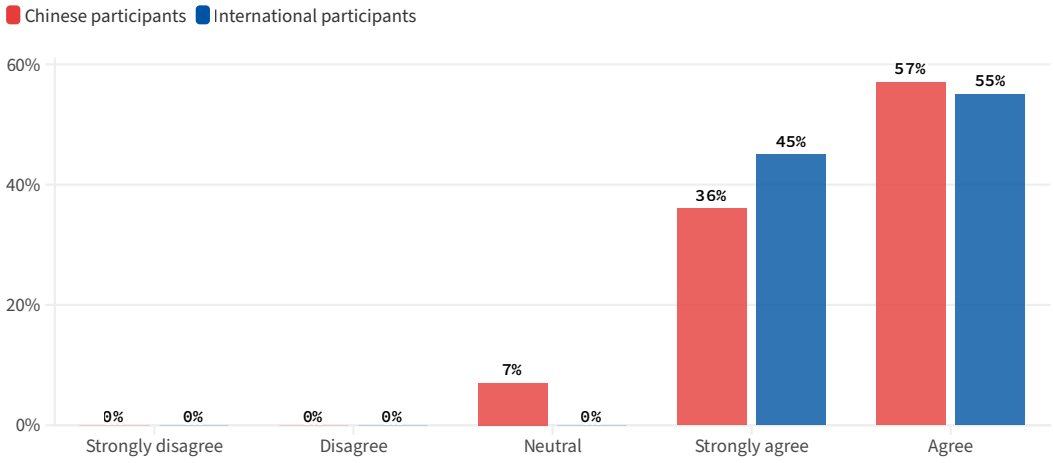


Source: GEO Dialogue on-site survey, May 2025 (Washington, D.C.).

FIGURE 2A

Question 2—Agree or disagree: The multilateral trading system needs to be reformed.

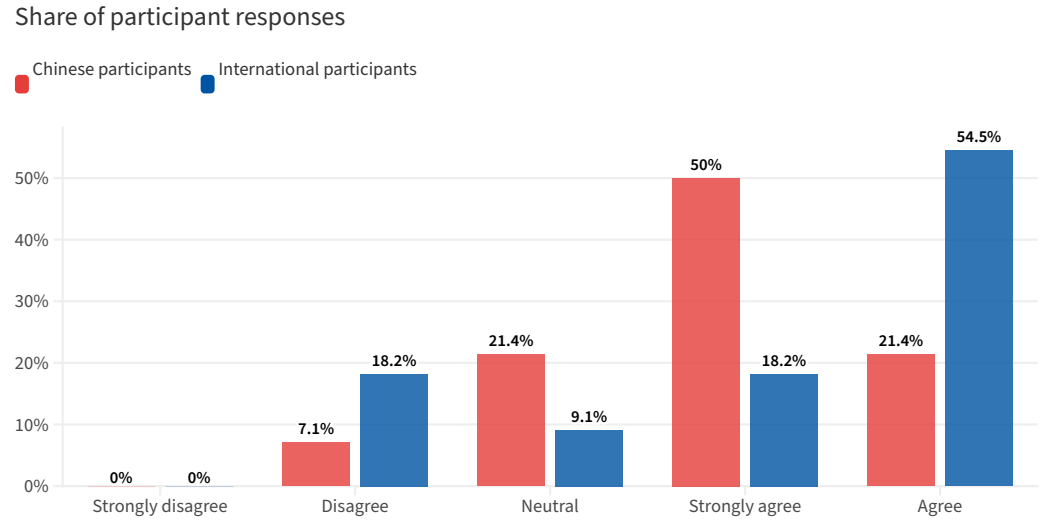
Share of participant responses



Source: GEO Dialogue on-site survey, May 2025 (Washington, D.C.).

FIGURE 3A

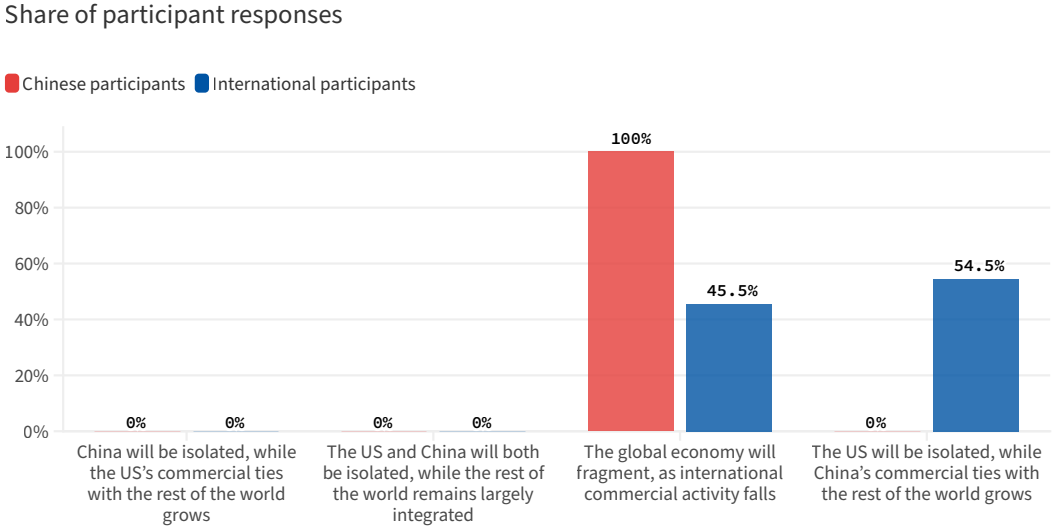
Question 3—Agree or disagree: A system of "reciprocal tariffs," in which countries negotiate mutually acceptable tariff and non-tariff barriers, could potentially be more equitable than the current multilateral trading system.



Source: GEO Dialogue on-site survey, May 2025 (Washington, D.C.).

FIGURE 4A

Question 4—If the level of commercial interchange between the United States and Chinese economies drops significantly, the most likely result will be that . . .

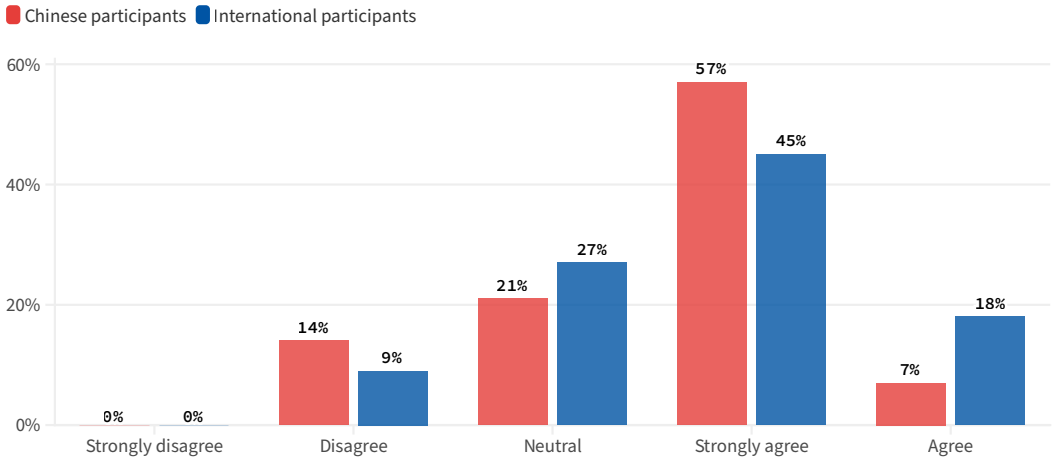


Source: GEO Dialogue on-site survey, May 2025 (Washington, D.C.).

FIGURE 5A

Question 5—Agree or disagree: The U.S. dollar will remain the world's dominant reserve currency for the next decade.

Share of participant responses

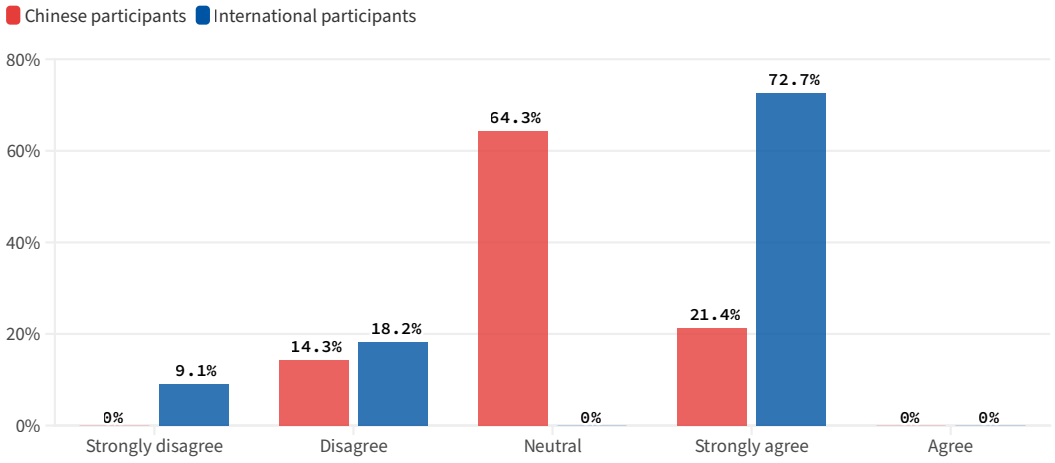


Source: GEO Dialogue on-site survey, May 2025 (Washington, D.C.).

FIGURE 6A

Question 6— Agree or disagree: With the substantial reduction in U.S. foreign assistance programs, China will substantially increase its own foreign assistance programs, benefitting China diplomatically.

Share of participant responses

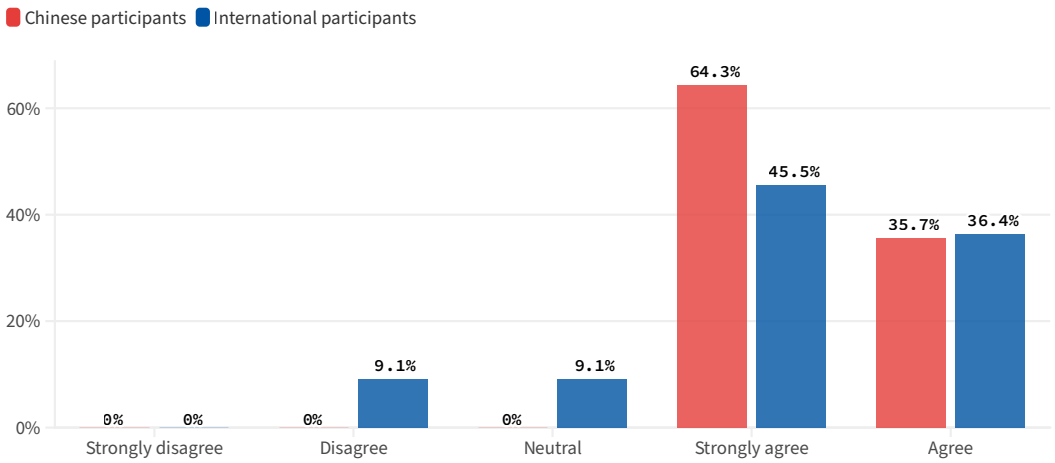


Source: GEO Dialogue on-site survey, May 2025 (Washington, D.C.).

FIGURE 7A

Question 7—Agree or disagree: The ongoing trade tensions will negatively impact the energy transition globally and investments in green technology.

Share of participant responses



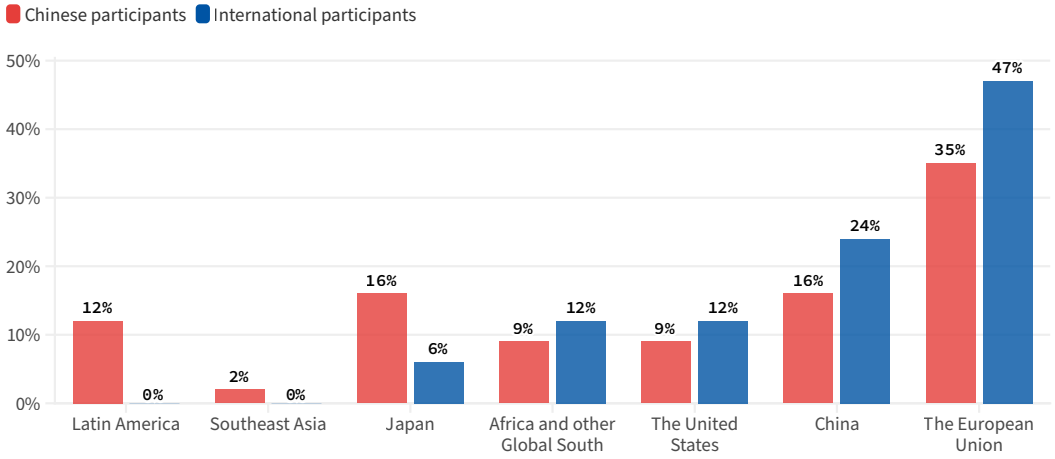
Source: GEO Dialogue on-site survey, May 2025 (Washington, D.C.).

Appendix II: The January 2026 Survey

FIGURE 8A

Question 1—Which country/region's growth will most underperform?

Share of participant responses

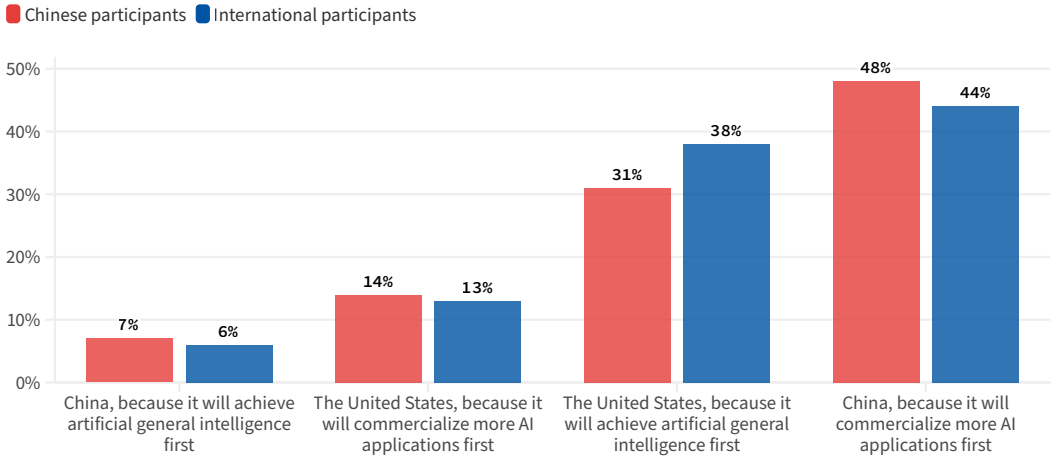


Source: GEO Dialogue on-site survey, January 2026 (Shanghai, China).

FIGURE 9A

Question 2—Which country is most likely to "win" the AI race?

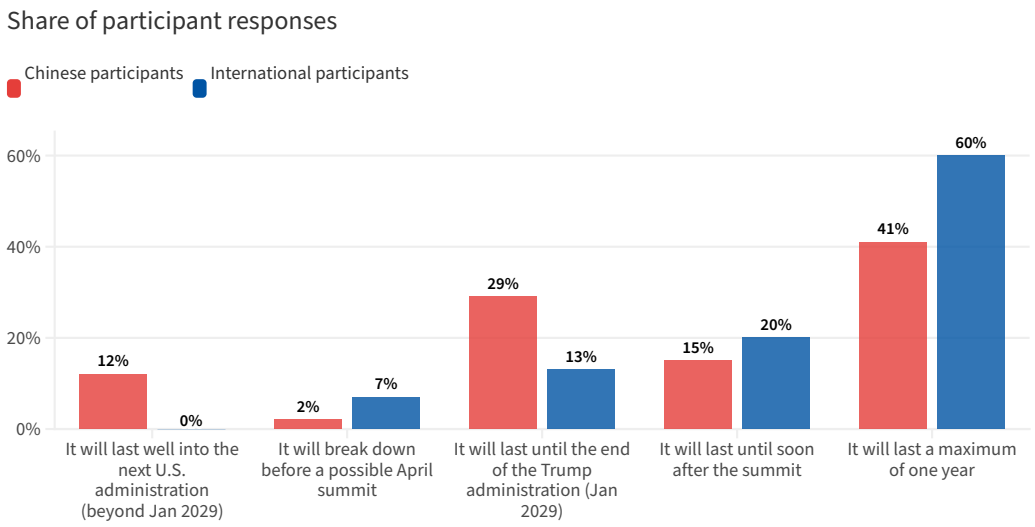
Share of participant responses



Source: GEO Dialogue on-site survey, January 2026 (Shanghai, China).

FIGURE 10A

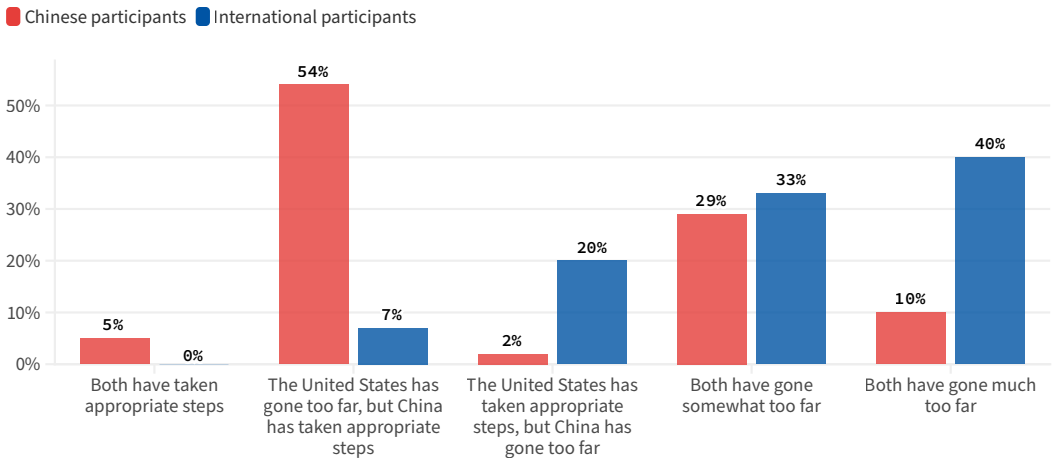
Question 3—How long will the current U.S.-China trade ceasefire last?



Source: GEO Dialogue on-site survey, January 2026 (Shanghai, China).

FIGURE 11A

Question 4—When it comes to the export controls by the United States and China:

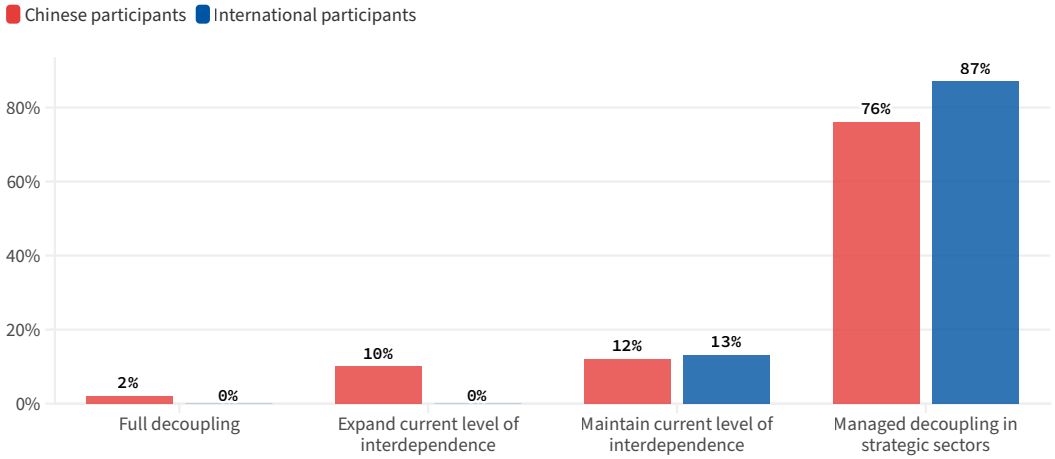


Source: GEO Dialogue on-site survey, January 2026 (Shanghai, China).

FIGURE 12A

Question 5—Keeping in mind the "Framework Agreement" in Busan, what is the most likely trajectory of U.S.-China economic interdependence in the next five years?

Share of participant responses

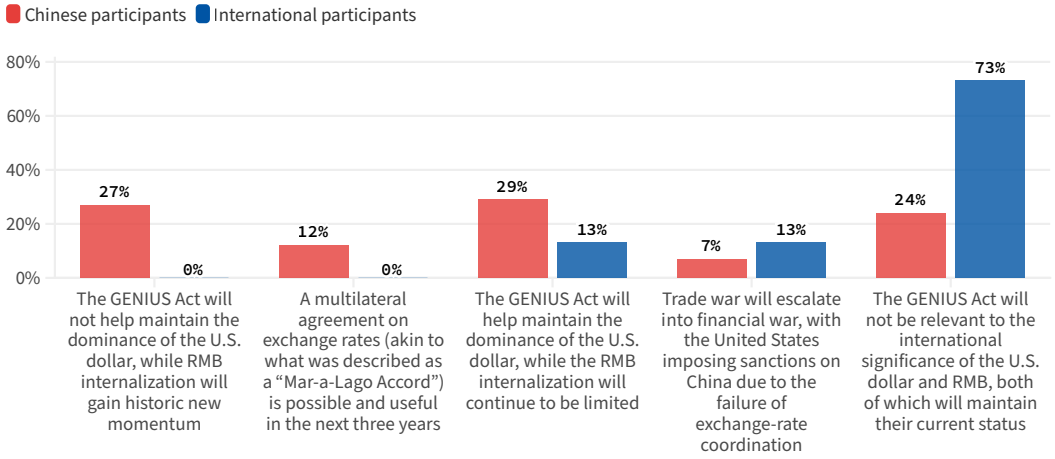


Source: GEO Dialogue on-site survey, January 2026 (Shanghai, China).

FIGURE 13A

Question 6—Which scenario is the most likely for the relative roles of the U.S. dollar and the RMB in the next three years?

Share of participant responses

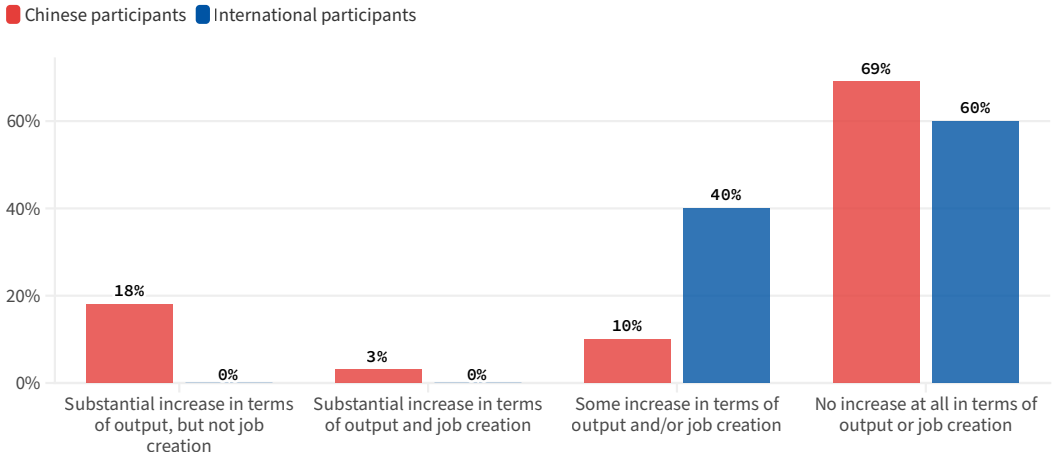


Source: GEO Dialogue on-site survey, January 2026 (Shanghai, China).

FIGURE 14A

Question 7—Will U.S. industrial policies succeed in substantially raising the manufacturing sectors as a share of its economy in the next three years?

Share of participant responses

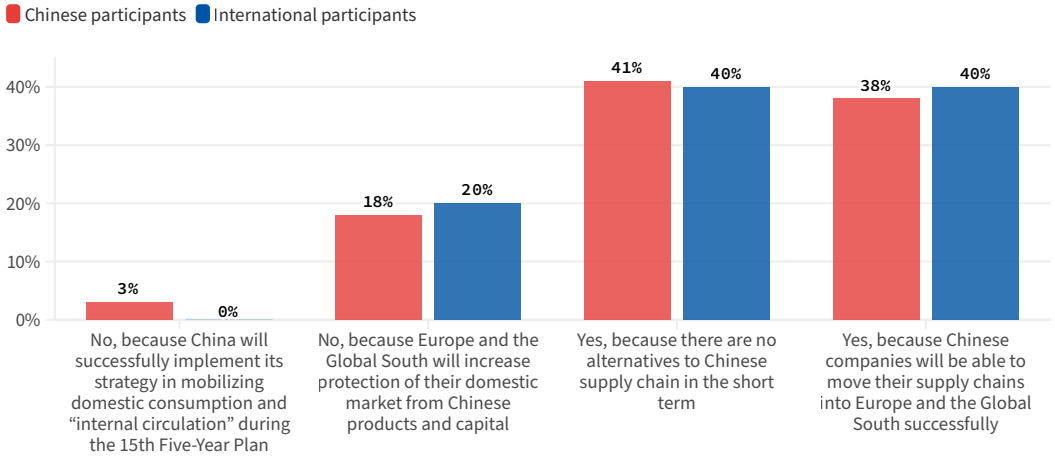


Source: GEO Dialogue on-site survey, January 2026 (Shanghai, China).

FIGURE 15A

Question 8—Will Chinese companies be able to maintain or increase their position in global supply chains in the next three years?

Share of participant responses

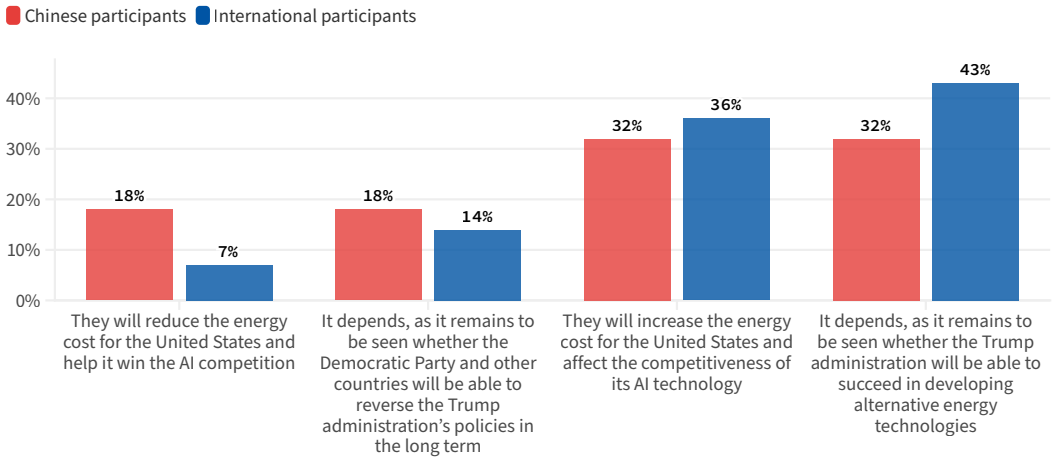


Source: GEO Dialogue on-site survey, January 2026 (Shanghai, China).

FIGURE 16A

Question 9—How will the Trump administration's energy and climate policies affect global energy transition and U.S.-China economic competition?

Share of participant responses

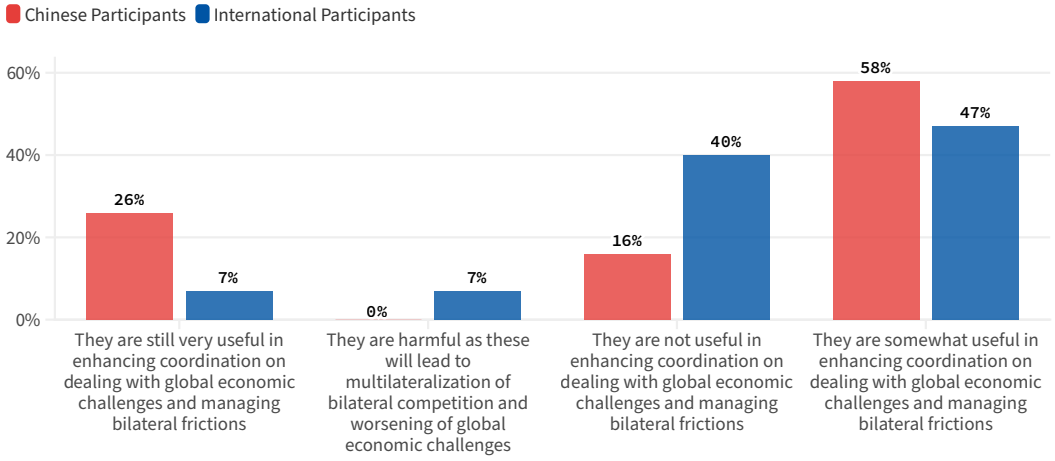


Source: GEO Dialogue on-site survey, January 2026 (Shanghai, China).

FIGURE 17A

Question 10—How useful are the G20 and APEC platforms in improving U.S.-China coordination in the global economic system?

Share of participant responses



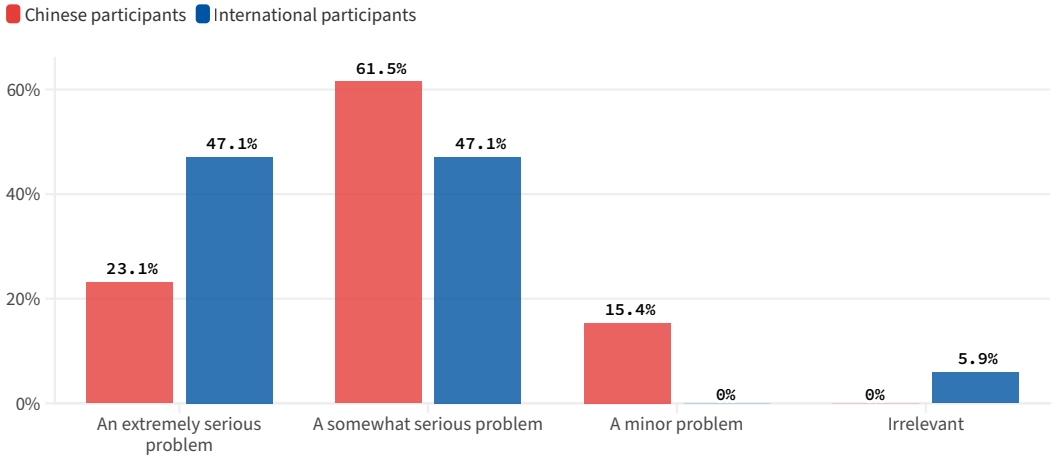
Source: GEO Dialogue on-site survey, January 2026 (Shanghai, China).

Appendix III: The July 2026 Survey

FIGURE 18A

Question 1—current global trade balances are . . .

Share of participant responses

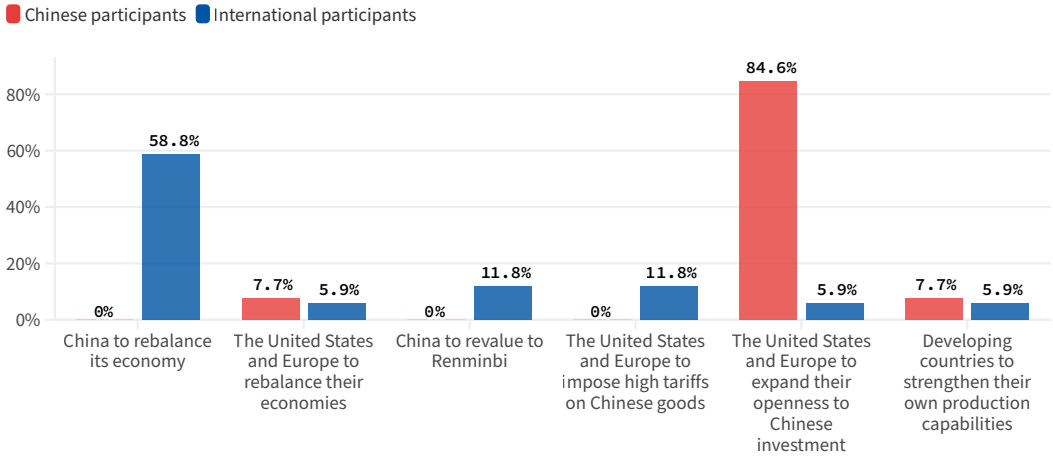


Source: GEO Dialogue on-site survey, July 2026 (Geneva, Switzerland).

FIGURE 19A

Question 2—The most effective way to address current global trade imbalances is for . . .

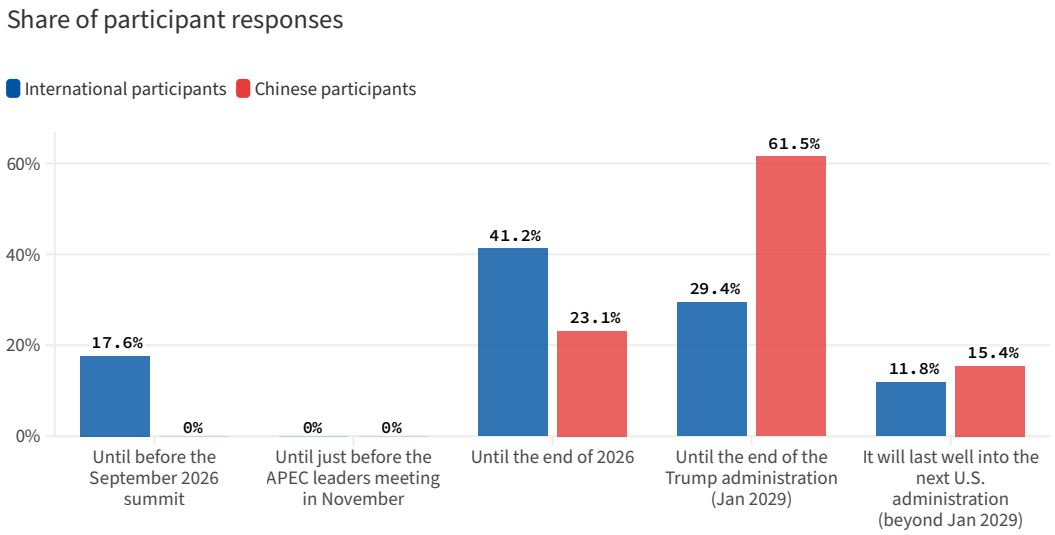
Share of participant responses



Source: GEO Dialogue on-site survey, July 2026 (Geneva, Switzerland).

FIGURE 20A

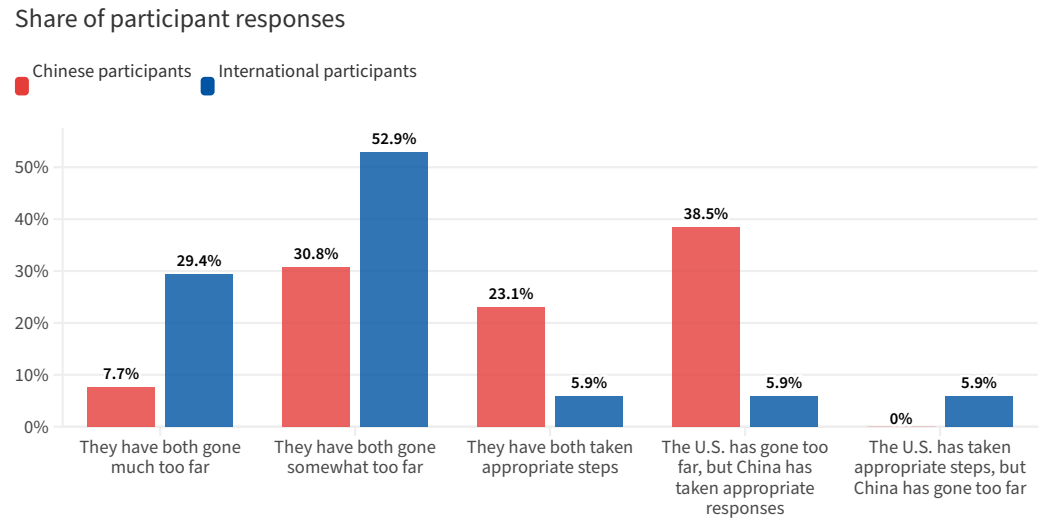
Question 3—How long will the current period of "constructive, strategic stability" in US-China relations last?



Source: GEO Dialogue on-site survey, July 2026 (Geneva, Switzerland).

FIGURE 21A

Question 4—Considering the use of export controls and other economic-security restrictions by the United States and China . . .

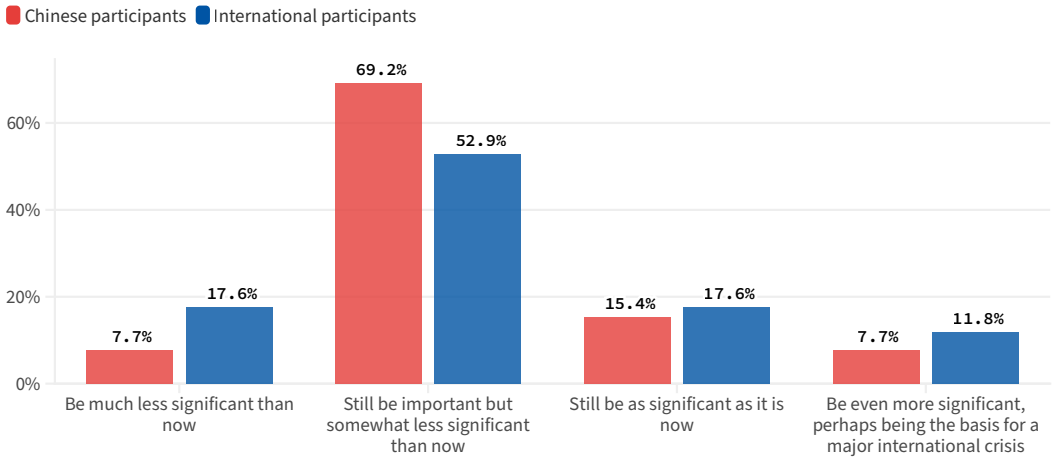


Source: GEO Dialogue on-site survey, July 2026 (Geneva, Switzerland).

FIGURE 22A

Question 5—In five years, the controversy over the supply of rare earths will . . .

Share of participant responses

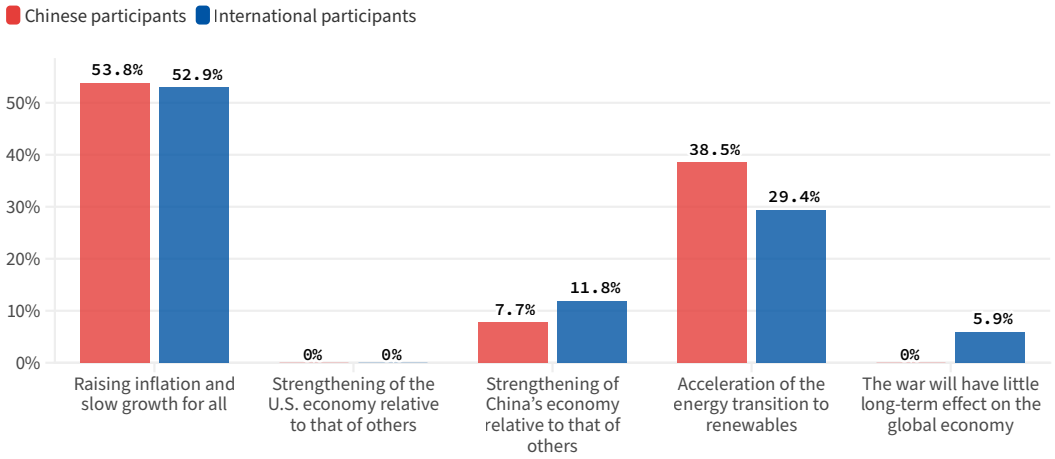


Source: GEO Dialogue on-site survey, July 2026 (Geneva, Switzerland).

FIGURE 23A

Question 6—What has been the most important economic effect of the U.S.-Israeli war with Iran?

Share of participant responses

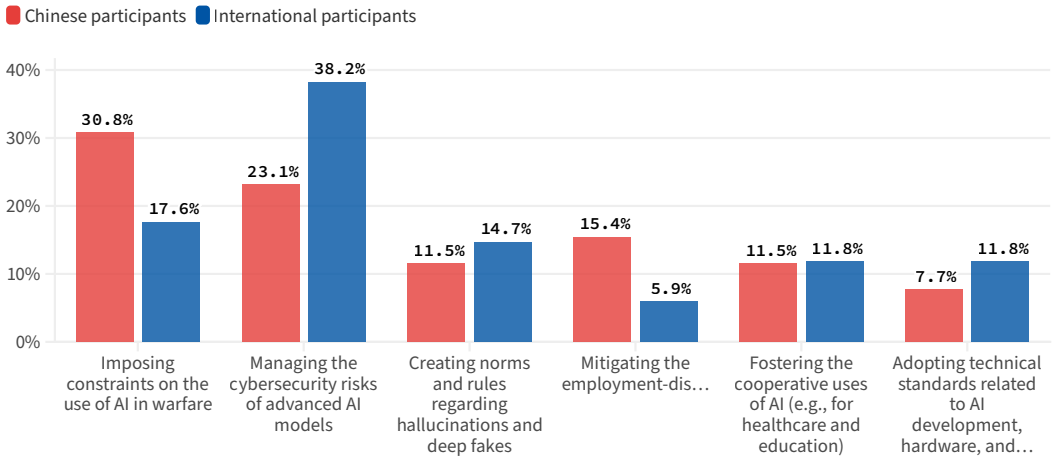


Source: GEO Dialogue on-site survey, July 2026 (Geneva, Switzerland).

FIGURE 24A

Question 7— What are the top two most urgent areas for expanding global governance of AI?

Share of participant responses

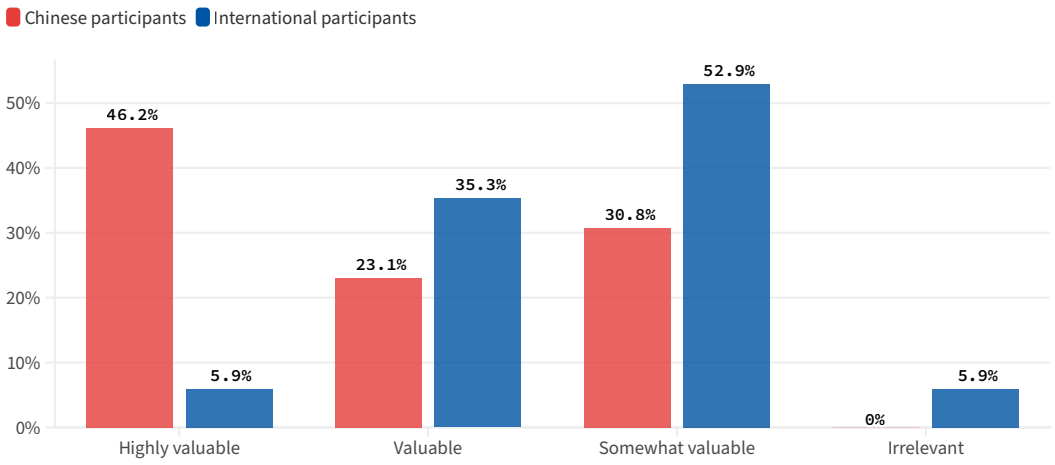


Source: GEO Dialogue on-site survey, July 2026 (Geneva, Switzerland).

FIGURE 25A

Question 8—How valuable is the WTO to advancing the prosperity of the global economy?

Share of participant responses

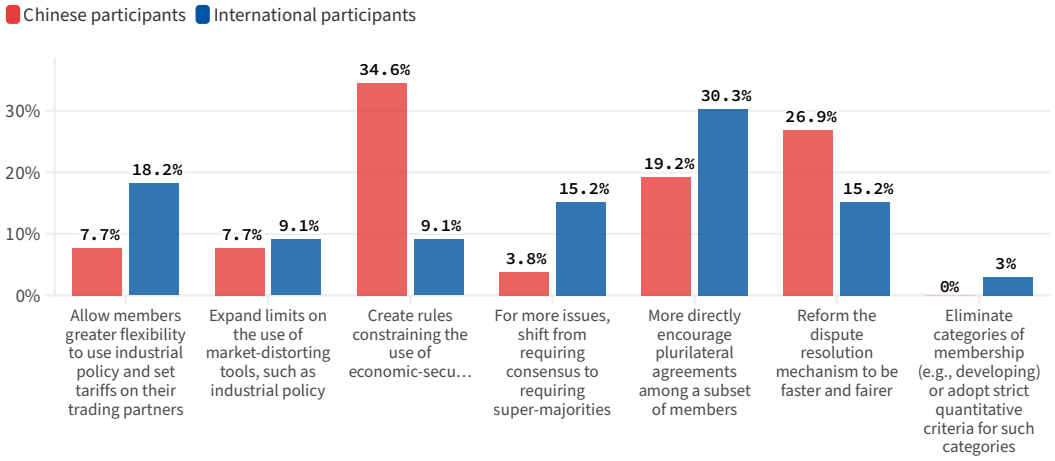


Source: GEO Dialogue on-site survey, July 2026 (Geneva, Switzerland).

FIGURE 26A

Question 9— What are the top two most important reforms the WTO could make to strengthen its effectiveness?

Share of participant responses



Source: GEO Dialogue on-site survey, July 2026 (Geneva, Switzerland).