



## U.S.-CHINA TRACK II DIALOGUE ON THE DIGITAL ECONOMY

### CONSENSUS AGREEMENT

OCTOBER 2025  
BEIJING, CHINA

The **National Committee on U.S.-China Relations** and the **China-U.S. Green Fund** convened the eighth iteration of the Track II Dialogue on the Digital Economy on October 28-31, 2025, in Beijing, China. The dialogue brought together American and Chinese former officials and experts from academia, think tanks, and industry for off-the-record, in-depth, and frank discussions on digital economy issues of concern to both countries. (See the list of delegation members from both countries below.)

The two sides reviewed the current state of the global digital economy, including actions taken over the past year by governments of both countries, and discussed semiconductors, artificial intelligence, 5G and 6G, and proposals for greater government-to-government communications on digital economy issues. The participants developed key recommendations for their respective governments, as described in this Consensus Agreement.

#### DEVELOPMENTS SINCE OCTOBER 2024

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Both sides agreed that, since the last round of the dialogue in October 2024, the relationship between China and the United States in the digital economy sector has shown a complex and rapidly evolving mixture of interdependence, competition, cooperation, and rivalry.

On the U.S. side, the Trump administration has generally continued the policies of the Biden administration in this area, by, for example, continuing the high tariffs on electric vehicles (EVs) that effectively keep Chinese EVs out of the U.S. market, and restricting the export to China of a subset of AI specific advanced semiconductors. In addition, in the first half of 2025, the Trump administration has continued to add Chinese companies to the Entity List, raised overall tariffs on Chinese exports to the United States, and published America's AI Action Plan that called for U.S. technological dominance in the AI domain. The Trump administration has also worked towards a deal to allow TikTok to continue operating in the U.S. market, and an agreement was reached following the Dialogue. Additionally, the administration introduced new industrial policies such as taking partial ownership of key national champions in critical sectors, including semiconductor major Intel and rare earth mining firm MP Materials, while levying a "chip tax" on Nvidia H200 class AI semiconductor sales to China, reflecting a shift toward a more active governmental role in strategic industries.

While the United States government has not published a formal plan to develop the overall digital economy, China continues to advance a series of broad guidance documents and policies designed to push forward Beijing's vision for future development of key technology sectors. The "Opinions of the State Council on Further Implementing the "Artificial Intelligence Plus" Action" issued in August 2025 outlines six "key actions" and eight "major support measures," underscoring China's emphasis on the development of the digital economy, which Chinese industrial planners see as the key to future economic growth. At the same time, China has put in place a comprehensive licensing regime for the export of select rare earth minerals and associated products such as magnets to the United States and other countries. Beijing's export measures on rare earths rolled out throughout 2025 were characterized by Chinese participants as reciprocal actions in response to export restrictions by the United States on advanced AI semiconductors and semiconductor manufacturing equipment to China.

However, the implementation of measures taken by each side over the past year has proven difficult to assess in terms of strategic goals and drivers. For example, governments may not always fully understand the complex commercial and supply-chain relationships between U.S. and Chinese companies, leading to the demonstration of a "tough stance" that in many cases has significantly disrupted normal business cooperation or domestic consumption. At the same time, such a stance can be seen as a means to develop leverage in the negotiations between the two governments. To that end, both sides of the Dialogue recognized that the complexity of enforcement and the persistence of critical supply chain linkages mean that both governments should work to reduce uncertainty for firms operating in both countries and third country markets impacted by these measures.

Overall, the Chinese and U.S. sides reached consensus in three key areas.

- First, a shared recognition of the negative effects of policy measures: both sides acknowledge that tariffs and export controls, and similar measures have adversely affected each other's economies. For example, the U.S. side recognized that rare earth controls affect the U.S. semiconductor and defense industries, while the Chinese side acknowledged that retaliatory rare earth measures could lead to a loss of market share. Both sides recognized that full decoupling would be "unbearable."
- Second, a shared recognition of the importance of the digital economy and AI. The Chinese and the U.S. sides both view the digital economy and AI as core sources of future economic competitiveness. The United States has launched "America's AI Action Plan," while China is implementing the "AI Plus" initiative. Both sides also recognize that AI poses shared bottlenecks and systemic risks that no single country can address alone, creating space for cooperation.
- Third, both sides agreed on the logic of de-escalation through negotiation. In areas such as tariffs, rare earths/magnets, the Entity List, and market access, both delegations recognized that bilateral negotiations involving experts at a high level remains a potential avenue to harness the benefits of cooperation while safeguarding important national interests.

Notably, and encouragingly, negotiations were underway during the Dialogue with President Trump and President Xi, who were meeting in South Korea on the final day of the Dialogue. The two presidents agreed to delay implementation of several of the sweeping measures that each had announced in order for further negotiations to reach an initial agreement that covered a range of digital economy related topics.

## Recommendation:

- Despite major differences, both countries should continue to discuss key areas of mutual concern, including AI safety cooperation, industrial AI deployment, data governance and privacy, as well as climate financing and renewables, in order to promote collaboration in areas where national security related concerns are less sensitive and that remain highly relevant to solving major global issues.
- Optimize item controls and security cooperation: establish a “civilian-military” classification-based control mechanism to narrowly define national security concerns so as to avoid “over-securitization,” streamline approval processes for civilian items, enable expedited clearance at borders for civilian-use goods such as rare earths and semiconductors, and consider leveraging technological tools to trace supply chains and reduce regulatory and compliance costs.

## SEMICONDUCTORS

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Both sides agreed that U.S. restrictions on advanced AI chips will most likely continue, but would likely be subject to policy changes that allowed some exports of AI chips not at the leading edge. These restrictions had initially hindered Chinese development of AI models, but leading Chinese AI companies, have responded by accelerating innovation and R&D, mobilizing capital, and deploying increasingly capable homegrown accelerators. Participants emphasized that progress in developing advanced compute capacity in general is now constrained less by process nodes than by physical limits—heat density, energy availability, cooling, and materials. These constraints challenge both the U.S. “scale-first” AGI-factory model and China’s “diffusion-first” edge-intelligence model, which were seen as structurally different yet potentially complementary paths.

## Recommendations:

- Recognizing that both countries will continue investing in their own industries, such efforts should let markets and technology drive business decisions, avoid creating excess capacity that displaces competitors, and respect global intellectual property rights (IPR) while fostering a healthy IPR environment.
- Both countries should expand their policy approaches from broad restrictions on advanced semiconductors and semiconductor manufacturing equipment to assessments and permits for chips for uses that do not have national security implications. Rare earths and magnets can be addressed separately but through a similar framework. To that end, the two nations should establish a joint technical liaising mechanism that clarifies the scope of national security-related export-license criteria and establishes a process for removing companies and technologies from control lists that can also help improve compliance.
- Both countries should explore opportunities for joint projects in the United States involving Chinese companies with leading technologies. One example is Chinese batteries for electricity storage, both for grid storage and for powering AI data centers in the United States. Another

example is pilot programs for Chinese robotics firms to deploy automation systems in U.S. factories.

- Both countries should work to restore and deepen academic and technical exchanges. The United States should consider easing conference visa approvals for Chinese scholars in the semiconductor and AI fields and avoid unjustified visa denials, to restore critical exchanges in basic research. Both sides should also establish a technical dialogue mechanism to support joint research between Chinese and American universities and research institutions, promote data sharing, and advance coordination on global technology standards.

## ARTIFICIAL INTELLIGENCE

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Both sides agreed that multiple approaches to the development of AI models are being taken in both countries, including the use of open source/weight models and the continuing focus of firms in both countries on proprietary models. It is possible that the different approaches result in faster development of useful AI platforms and applications that can benefit both countries, especially in areas that don't have national security implications, such as healthcare. Additionally, both sides agreed that while there are major investments in AI companies, future returns on these investments are not yet clear. As the development of AI models continues and the technology is deployed, energy requirements will be a major limiting factor in both countries.

Safety standards for AI models are being developed both within the two countries and internationally, but further work is needed to develop a *minimally viable governance framework* to ensure trust in the broader deployment of AI model driven applications. Participants emphasized that the two countries use the term “safety” differently, and that “安全” – which can mean both security and safety in Chinese – does not map cleanly onto U.S. notions of “AI security.” In the United States, AI security parlance is focused more on chemical, biological, radiological, and nuclear (CBRN) risks, cyber operations, and loss of control scenarios. Given that the United States and China host the vast majority of the world's leading AI companies, the more that standards can be developed jointly around safety guardrails, for example, the better. Additionally, both sides acknowledged that global and domestic safety frameworks are emerging, but interoperability of evaluation methods – rather than uniform standards – could be a realistic near-term goal.

Both sides agreed that the deployment of AI models will reshape labor markets and affect employment in specific sectors of their economies, and that further work is needed to understand those effects and develop mitigating policies. In addition, open-source and synthetic data represent important directions for the future development of artificial intelligence. Both sides are paying close attention to the global implications of open-source/weight AI models, including the comparable performance of Chinese open-source models on industry benchmarks and ongoing regulatory debates within the United States. Synthetic data can help alleviate shortages of high-quality data and has applications in areas such as robotics and autonomous driving, but it requires joint research by both sides to assess associated risks and establish appropriate norms. Both sides also emphasized the importance of the responsible use of AI in education as a tool for learning, with the central challenge

of balancing “tool efficiency” and the “cultivation of human capabilities,” and to avoid extremes of either outright prohibition or unrestricted use.

#### **Recommendations:**

- As the capabilities of AI models and platforms accelerates towards the concept of artificial general intelligence (AGI) or artificial super intelligence (ASI), both countries should agree on norms around the use of advanced AI, for example, agreement should be reached that neither country should conduct cyber-attacks on the other’s AI data centers or critical infrastructure.
- Both countries should jointly support global AI summits such as those part of the Bletchley Park initiative and work together to advance the implementation of a *minimally viable global governance framework*. Under the United Nations framework and elsewhere, both nations should jointly promote initiatives on AI safety red lines, and invite countries such as the United Kingdom, Canada, and Singapore to participate in discussions on extreme AI risks.
- Both sides should redouble efforts to find common ground around the concepts of AI safety and security and should initiate bilateral talks on AI safety and security with a focus on interoperable evaluation and testing methods. Both teams agreed that, given the rapid development of capabilities in the AI sector, there is some urgency in the need for both countries to agree on a framework for bilateral discussions.
- Both countries should initiate potential joint research on AI models for use in applications in non-national security sensitive areas such as healthcare, biotech, and green tech.
- Both countries should establish a high-level dialogue on “loss of control” scenarios, consisting of leading labs and AI safety experts, that is not subject to bilateral pressures, again, driven by the rapid developments in the sector, particularly agentic AI.
- Both countries should initiate talks on the role of high-quality data sets for AI models, jointly examine rules governing data copyright and ownership, explore cooperative applications of synthetic data in large-scale models, push for the development of high-quality data sets together, and consider joint research projects in this area.

## **5G AND 6G WIRELESS SYSTEMS**

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5G systems have been deployed widely in both the United States and China. China has developed the “5G-A” system that improves performance and deployed it in some regions. While both countries have yet to develop large numbers of applications that take full advantage of 5G systems. security-driven restrictions on 5G systems in both countries, the deployment of wireless infrastructures in both countries are becoming separated. This separation poses risks for the development of common standards for 6G systems in the future.

#### **Recommendations:**

- Both countries should continue to work on developing common 6G standards. Such standards will create greater efficiencies for individuals and companies that continue to travel and operate in both the United States and China, benefit countries that adopt wireless systems using both

Chinese and Western equipment, and allow increased sales of wireless systems between the two nations.

- Both countries should ensure that 6G systems include technological safeguards and standards ensuring security from actions by wireless system providers to exfiltrate data or degrade performance.
- Both countries should establish an institutionalized technical exchange mechanism by conducting periodic bilateral dialogues on 5G-A/6G technologies, sharing network deployment experience, and pursuing joint projects in non-sensitive areas such as green energy-efficiency technologies and consumer-grade 6G terminal development. In parallel, Track II dialogues should be used to build early policy consensus on 6G and provide a “technical menu” to inform Track I negotiations, helping to prevent fragmentation of technical standards driven by geopolitical tensions.

## **POTENTIAL TRACK I DIALOGUES ON THE DIGITAL ECONOMY**

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Both sides to the Dialogue agreed that current official engagements related to digital economy issues between China and the United States are inadequate, inconsistent, and politically constrained, given the rapid pace of development of related technologies and the need for regulators to keep up and put in place guardrails to ensure that these advanced technologies can continue to drive future economic growth. While there have been better communications and agreements in the past, the current political climate in both countries restricts structured and consistent engagement. Furthermore, the competitive nature of current digital economy issues – semiconductors, artificial intelligence and investment – make it difficult to use some of the practices that have proven constructive during past engagements.

As a result, both sides agreed that Track II conversations have become even more indispensable, often serving as the only functioning venue for substantive exchange on increasingly complex issues that are otherwise not being addressed in bilateral engagements. Participants agreed these channels should be strengthened and formally linked to future track I efforts in 2026, when both sides can take advantage of the détente established during the Busan summit of the two leaders that will see continued high level engagement throughout 2026.

### **Recommendations:**

- Preserve and increase the current level of track II dialogues to provide a basis for progress to track 1.5 and then track I dialogues.
- Given the growing importance of the AI issue for both countries, consider spinning off an AI focused discussion centered on commercial deployments of AI, interoperability of models and platforms, and commercial best practices around AI safety and trust from the current U.S.-China Track II Dialogue on the Digital Economy.
- Strengthen the design of dialogue mechanisms by incorporating AI companies, telecommunications operators, and other relevant stakeholders, to avoid government-only dialogues that are disconnected from the rapidly growing requirements for continued sector expansion and avoidance of introducing new supply chain related constraints and complications.

- Working with government stakeholders, attempt to initiate or jumpstart existing Track I dialogues where possible on specific cooperative opportunities in areas that have less sensitive national security related considerations, for example, on use of AI models in healthcare, biotech, and green energy.
- Focus efforts on **continuity, contact points, and problem-solving frameworks** that survive political transitions and bureaucratic change in both countries. This is critical given the pace of technological change in both countries and the critical roles both play in broader global supply chains and innovation ecosystems.

## CONCLUSION

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Continuing difficulties and disagreements in the bilateral relationship between China and the United States are continuing to generate considerable uncertainty in the digital economy and across associated supply chains, leading to significant cost inefficiencies and duplication of effort that reduce the potential benefits of deploying the most dynamic technologies in the world to citizens from both countries. Failure to agree on global standards and general trade rules is leading towards more and not less decoupling in the technology sector, to the detriment of progress in technology cooperation that would be mutually beneficial and bring advantages to global technology supply chains. In general, digital economy experts in both countries believe it is possible to reach areas of agreement for which government officials under short-term political pressure have so far been unable to develop workable approaches. To avoid extreme decoupling and fragmentation, exploring cooperative pathways for win-win outcomes will depend on rebuilding trust as the primary prerequisite for breaking the current uncertainty.

Recent developments such as the agreement reached at Busan during the Dialogue should provide some breathing space for both countries to reconsider previous policy approaches and attempt to forge new areas of cooperation in areas critical for ensuring future economic growth, while continuing to address legitimate national security concerns. Narrowing the range of these concerns is also critical, as both sides step back from the over-securitization of sectors that has led to major disruptions in supply chains and driven up costs and risks for companies in both countries and in a range of third countries.

It is critically important for the United States and China to continue to hold high-level discussions on digital economy issues that are based on deep industry expertise and the best technical knowledge available. This is particularly important in the age of AI, as the pace of technology change accelerates and governments need to ensure they are prepared to keep pace with policy support and regulatory guardrails that both ensure continued innovation and protect against emergent risks. As the two major AI powers globally, the United States and China have a particular responsibility to get these issues right and avoid approaches that further disrupt innovation ecosystems and raise risks. This can be accomplished by including more technical experts on government delegations, and through a commitment by government leaders to find areas of cooperation that benefit both countries.

## CHINESE DELEGATION

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