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Get China Right at City Hall

Cutting off all contact with China at the local level hurts Americans' education, innovation, and the economy—there are better ways to manage the risks of engagement.

Subnational U.S.-China ties run deep. Dozens of U.S. states and hundreds of cities signed twinning agreements with Chinese counterparts in the two decades after the normalization of relations between the two nations. By 2013, U.S. states had opened 36 offices across mainland China to promote trade and investment; between 2012 and 2017, U.S. governors and lieutenant governors made over 60 trips to China.

But since 2019, such forms of engagement—once uncontroversial among Republicans and Democrats alike—have come under fire. Citizens have mobilized against Chinese-linked investment and have voted out local officials who supported it. Members of Congress have criticized cities for engaging with China, in some cases implying that such contact was the product of malign influence by the Chinese Communist Party (CCP). The second Trump administration will likely push hard to sever many remaining subnational U.S.-China links.

If state and local actors underestimated the risks of engagement with China a decade ago, now some policymakers are overreacting. There are real risks, but many are manageable. Meanwhile, there are high costs to crude anti-China rhetoric and clumsy policies to cut state and local contact with China. Progress is being stalled in education, scientific innovation, economic development, and climate mitigation (see the Gallagher memo in this report); and Asian-Americans are increasingly being treated with fear and suspicion (see the Kusakawa, Chen, and Johnston & Kim memos in this report). There is a better way forward.

ACKNOWLEDGE REAL RISKS

Critics argue that cities and states are the “soft underbelly” of U.S. international engagement. They contend that local interactions with Chinese government, business, and societal actors threaten national interests. The fear is that state and local governments, being under-prepared and under-resourced, may fall victim to CCP influence operations or that malign actors from the People’s Republic of China (PRC) may be able to access sensitive infrastructure or information.

These concerns have some validity. State and local governments have far less financial and organizational capacity than the federal government has for navigating international relationships and combating foreign threats. State and local actors have sometimes made errors of judgment in working with Chinese officials and businesses. In some cases, state and local officials have been pressured into parroting pro-PRC talking points. In other cases, state and local governments may have failed to properly vet government personnel or partners, as the recent indictment in New York of former aide Linda Sun suggests (see the Hung memo in this report).

It is also true that the Chinese government has used communities and social organizations overseas to gather intelligence and to repress and monitor human rights and democracy activists outside China’s borders. Meanwhile, lower-intensity influence efforts are also widespread at the subnational level. These include pressure by Chinese diplomats and entities linked to the CCP to limit criticism of China, avoid engagement with Taiwan, or adopt pro-China rhetoric (see the Fu memo in this report).

However, states and cities are neither defenseless against nor uniquely vulnerable to PRC influence or interference. The most sensitive sites in their jurisdictions—such as major military bases and national laboratories—are under federal management. Counterintelligence and law enforcement agencies keep a close eye on critical infrastructure facilities, defense-related industries, and research institutions.

Indeed, in recent years, federal oversight of subnational U.S.-China interactions has increased in many key areas. The Trump and Biden administrations tightened restrictions on foreign investment, exports of dual-use technologies, and federally-funded research at universities. The U.S. Department of Justice and FBI have continued intense China-related law enforcement at the state and local levels, even after winding down the controversial China Initiative in 2022.

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If anything, many state and local officials are now erring on the side of caution, not carelessness, in their dealings with Chinese actors, our research suggests. For example, various states have rushed to enact sweeping restrictions on the sale of land and real estate to Chinese-controlled businesses or Chinese nationals. In 2023, 27 states passed or were considering legislation restricting agricultural land purchases by Chinese citizens or firms (see the Gorski & Toomey memo in this report). This is despite the fact that many of the most widespread and severe threats to U.S. intellectual property, security assets, and critical infrastructure lie in the cyber realm (see the Sacks & Webster memo in this report).

Still, shouldn't the security and economic interests of the United States as a whole override any benefits to individual states or cities of interacting with China? Yes, and no. In a federal democracy, the national interest is not reducible to the priorities of the federal government alone. The ability of states and localities to develop global ties that advance their economic and social needs is part of the U.S. national interest, properly conceived.

In practice, then, the benefits that states and cities derive from their foreign relations must be weighed against the harms that these relationships create. And so too must the benefits of federal policies on China be weighed against the harms they create.

COUNT THE BENEFITS

Some city and state partnerships are largely symbolic, but many such relationships have proven durable and substantive. Partnerships such as those between San Francisco and Shanghai and Iowa and Hebei have fostered hundreds of educational and cultural exchanges, two-way flows of investment and trade, and political dialogues. In 2013, a Hebei delegation to Iowa signed 20 trade agreements, valued at a billion dollars by the Iowa Economic Development Authority. More generally, China was a top-three export market for goods and services for 32 out of 50 U.S. states in 2022. Public and private universities hosted over 250,000 Chinese students as of March 2023, generating billions of dollars. Officials from states such as California and Colorado see cooperation with China as integral to their efforts to mitigate and adapt to climate change. These are matters of security, or even survival, for many residents.

So, when policymakers use blunt measures to address economic or security challenges from China, there can be major fallout for U.S. states and communities. Iowa's soybean and pork industries faced huge financial losses from the trade war with China during President Trump's first administration. California has suffered massive losses of tourist revenue due to a reduction in direct flights between the United States and China, even after pandemic-era controls were lifted. Meanwhile, political rhetoric and policies that target people of Chinese origin or nationality stoke anti-Asian hate and divide local communities.

Local engagement is not just about local benefits, though. It can advance strategic national priorities. Employing thousands of top-tier Chinese researchers at U.S. universities and laboratories has accelerated U.S. scientific progress and technological innovation, including in fields such as quantum computing and generative AI (see the Huang memo in this report).

And city- and state-level official visits and dialogues can support U.S. foreign policy, if they are properly coordinated with Washington. For instance, California Governor Gavin Newsom's visit to China paved the way for the 2023 Biden-Xi summit.

TAKE THREE STEPS

So how should local leaders in the United States navigate engagement with China? And what role should the federal government play in helping them to access the benefits while avoiding the most serious risks?

First, states and cities across the United States need to be intentional, informed, and proactive—rather than reactive or defensive—in their interactions with Chinese actors. Briefly, mayors and governors, city councils and state legislatures, need to audit their existing political, economic, and cultural ties to China and develop explicit strategies and ground rules for engagement. American cities and states have important leverage in setting the terms for engagement, given the eagerness on the part of Beijing and of China's subnational governments to stabilize and rebuild relations with the United States.

State and local leaders need to think strategically about what kinds of dialogue or exchange would benefit their communities. And they should lay out clear ground rules and principles for contact with China. These might include: maintaining transparency; abiding by U.S. foreign policy; refusing to accede to unacceptable demands (such as to cut ties with Taiwan); and using dialogue channels to raise concerns about Chinese policies that affect their local communities (e.g., the lax handling of fentanyl precursor chemicals, harassment of U.S. residents, or cyber-intrusions affecting critical infrastructure systems).

It is crucial that states and localities involve their Chinese-heritage communities in this process, and that they learn from them in a way that prioritizes pluralism and participation (see the Hung memo in this report). Allowing one person or organization to speak for the local Chinese diaspora is unwise. It gives them outsized influence and does not represent the diversity of political views and cultural backgrounds within a community. The best way to safeguard subnational discussions on China from malign influence is to expand the circle of participants, not to shrink it.

Second, federal actors should support these efforts to develop proactive and balanced China strategies on the ground. Federal agencies can do more to ensure that state and local governments are well informed about the Chinese counterparts they may be engaging with, and about how to avoid the most serious risks. It can be difficult to differentiate between independent civic groups and organizations with strong ties to the Chinese government operating within local diaspora communities (in part because the Chinese government deliberately seeks to blur the line between the two).

Better information-sharing by federal agencies might help local governments to avoid inadvertently partnering with United Front organizations. The State Department and its Subnational Diplomacy Unit can expand training opportunities for local officials, loan more career diplomats to cities through the Lewis Local Diplomat program, and work with cities to create better platforms for sharing information and best practices with one another.

Finally, subnational diplomacy needs more philanthropic and public support. U.S. cities and states have limited staff and funding for international engagement, both in absolute terms and relative to their Chinese counterparts. Offers of Chinese financial support—for citizen diplomacy programs between sister cities or for local officials to visit China—are thus hard to turn down. Even if such funding does not buy political influence, it introduces potential conflicts of interest. A dedicated **innovation fund** would enable U.S. cities and states to engage without relying on Chinese government funding to do so.

FURTHER READING

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