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TRANSCRIPT

Event

"China's Power: Up for Debate 2026
Panel: A Decade of Changes: Taking Stock of China's Evolving Power"

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FEATURING

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President, Prospect Foundation

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Bonny Lin: Good afternoon, and thank you for joining us today. As Alex said, this is the 10th-year anniversary of our China Power Project. This is why Bonny and Bonnie, the two of us, are sitting right next to each other. We usually don't sit right next to each other because it gets really confusing. (Laughs.) But I'm really – I'm really delighted to have her back, and to be able to open this first panel.

This first panel we will focus on the key topic of "A Decade of Change: Taking Stock of China's Evolving Power." So I've asked each of the speakers to look back at the next 10 years and focus on how China's power has evolved. We've given each of the speakers a framing question – three framing questions. The first, what are the most critical ways that China's power has changed? How have China's perceptions of itself changed over the decade? And third, how have the world's perceptions of China changed over the same period?

Let me introduce the speakers in the order that they will be presenting, which is largely in the order that they are seated.

The first to my left is Bonnie Glaser. She probably needs no introduction to this audience, but she is managing director of German Marshall Fund's Indo-Pacific Program. She is also a nonresident fellow with the Lowy Institute in Sydney, Australia and a senior associate with the Pacific Forum. She was previously senior advisor for Asia and director of the China Power Project here at CSIS. She's worked at the intersection of Asia-Pacific geopolitics and U.S. policy for more than three decades.

Next to Bonnie is Dr. I-Chung Lai. We're very fortunate he was able to fly all the way from Taiwan to join us here today. He is president of the Prospect Foundation and board member of the Taiwan Foundation for Democracy. Previously, he served as the director general for the Department of International Affairs and director general for the Department of China Affairs in the Democratic Progressive Party. Prior to that, he was special assistant for policy to the Taiwan representative to Japan and executive director for the DPP mission in the United States.

Next to Dr. Lai is our very own Scott Kennedy. Scott is senior advisor and trustee chair in Chinese business economics at CSIS. He is a leading authority on China's economy. And his ongoing areas of research and focus include China's high-tech drive, U.S.-China relations, and global economic governance.

Last but not least, we are also very grateful for a leading expert from Japan, Professor Yasuhiro Matsuda. He is professor of international politics at the Institute for Advanced Studies on Asia at the University of Tokyo. He actually just came from Tokyo for this. He spent 16 years in the National Institute for

Defense Studies within the Japanese Ministry of Defense. He specialized in politics and foreign relations in the PRC and Taiwan, the cross-strait relations, and Japan's foreign and security policies.

So with that, let me, without much ado, turn the floor to Bonnie Glaser to open up this panel.

Bonnie Glaser: Well, first of all, I want to thank Bonny Lin for all that she has done since I passed the baton to her. It is very rewarding when you start something, you launch it, and you try to make it successful, and then worry that when you – when you leave it might not be sustained. And I can't tell you how – all of you – how really exciting it has been for me, just several blocks away, to watch how this program has really thrived and continued to be really impactful and produce fantastic research. And so I want to thank Bonny Lin and her staff for all of the hard work that they have done.

Well, somehow I had different questions, which means that what I did was look at the wrong set of questions from the other panel. (Laughter.) So this is going to be a little off the cuff. I thought I looked at the –

Dr. Lin: Do you want to go last then?

Ms. Glaser: No, that's fine. I can talk to a few of these questions. What are the most critical ways that China's power has changed? One of the things that you in this program, I think, have monitored very closely is the evolution of China's military power. And if you look at the capabilities – particularly, of course, 10 years ago we were looking at China focusing on its anti-access/area denial capabilities. Most of us talked about how they weren't really focusing, for example, on amphibious landing capabilities for Taiwan. And that, of course, has changed. We've seen some real breakthroughs in Chinese capabilities, like hypersonics. We've seen tremendous developments in space. And we have seen China applying technology to its military through this military-civil fusion program, I think, in very effective ways.

And so it is impossible to ignore the military developments, particularly as that has affected the regional balance. And I think China does have, of course, a global military presence and ambitions, but its focus still really remains in the region. And I think that the defense industry that really underpins that military capability is also worth mentioning. Shipbuilding, of course, being the one that comes immediately to mind, where China has a very, very strong position.

We have seen China's technological capabilities increase tremendously, as well as its economy. So, of course, whether you're measuring it – I'm sure Scott will talk about this – but you can measure it either in nominal or, you know, in PPP terms, but we have seen its per capita income – the U.S., I think,

is still at six times higher in nominal terms. Our economy is about 32 trillion (dollars). China's is about 21 trillion (dollars). But I think we used to predict, or many economists had predicted, that there would be a real crossover in terms of nominal GDP.

We have not seen that. And our economists still disagree about whether that will ever happen, or when it might happen. When it could – the earliest, I think, forecast today is probably in the early – in in the early thirties. But I think that's even too optimistic. That said, I mean, China's, of course, economic progress in terms of its increase in per capita income, and the ways in which its economy has really developed – and, again, let others speak to this in more detail, I think is also worth noting.

One of the – one of the elements of our – of the project, of course, is soft power. And we've always looked at soft power polls. And I guess my comment there is that if you look at polls today about Chinese soft power, China is viewed more favorably than the United States in recent Pew polls in 25 of 36 countries. But in fact, I think most of that is a function of the U.S. being seen as less attractive, not so much as China being seen as more attractive.

And then I would say that, you know, ultimately power is really – and the balance of power – is less important sometimes than the perception of the trend. And there is really incredible confidence, I think, in China that its comprehensive national power is growing, and eventually will overtake the United States. And I think that's important when you ask this question, is how has China's perception of itself changed in the last decade? I think that the Chinese always looked to the United States in ways of being a leader in military capabilities, technological capabilities, in its economy, not necessarily its political system. But there were some, even intellectuals, who, I think, found the U.S. political system appealing as well.

And this has really changed. I think the confidence that Chinese have in their own system and the trajectory of their power and their ability to shape their environment in ways that serves Chinese interests, which includes leverage in rare earths, for example, I don't think that they thought about that as much 10 years ago, although you can see beginning, maybe, germinations of that around 2010.

And then lastly, just briefly, about how the world's perceptions of China have changed over the last decade. I think that there's – in the Global South, if you like that term, or if not in the developing world, there has been, I think, a real evolution of views about China, participants in the Belt and Road, some having positive benefits from China, others less so, who are in debt. But overall, there's a great deal, I think, of support and respect for the developing world, and from the developing world, for China. And I would really just note

in the recent book by Steve Tsang and Olivia Cheung, they really articulate very well how important the Global South is in China's strategy.

And so the world's perceptions of China have been, changed in, part because – or, at least in the Global South – because of China's focus on that part of the world, because the Chinese need that support. Whereas in the developed world, I think there is – there's clearly concerns about growing threats from China, and, particularly today, concern about Chinese overcapacity, overproduction, the export powerhouse that is leading to what some people would call China shock two, or countries who see themselves as essentially facing deindustrialization because of China. So I think you see more concerns in the developed world than you do in the developing world on those issues. So I'll stop there.

Dr. Lin: Fantastic. Thank you, Bonnie. I really appreciate you addressing each of the questions.

Ms. Glaser: Was I supposed to, or was I only supposed to address one? (Laughter.)

Dr. Lin: You can address – it was completely your choice how many you wanted to address.

Let me now turn the floor to Dr. I-Chung Lai.

I-Chung Lai: Thank you, Bonny and Bonnie. (Laughter.) Thanks for having me here. It's an honor to be among these very distinguished panelists to talk about my views.

I think about those three questions. The first one, seeing from the Taiwan's perspective, I would say that the most critical way that Chinese power – China's power changed basically is that China no longer as peaked as it was before. So put that in the context, for example, in year 2015. At that time, that it is the waning years of Ma administration. And there was a big debate in Taiwan about whether to allow the Chinese capital to take stock in Taiwan's high-tech company, for example, TSMC, the IC design, the media tech, and all those. And at that time, that – remember the Unigroup CEO Zhao Weiguo and also Ma Yun came to Taiwan. Ma Yun said that look, Taiwan, your CEO, including Morris Chang, you are just old man. You are passé. And if you do not want me to take stock into your company, I'm going to buy you out. But this word came from the Zhao Weiguo. And Ma Yun said that we are the future and you are the past.

But I think probably 10 years later, we all see what is happening. But particularly from Taiwan businessman's perspective regarding the Chinese as economic opportunity, I think the perception changed fundamentally, that China no longer as prosperous as it was, as the opportunity for everyone as it

was before. Today, Taiwan's investment in China overall is about, like, less than 3 percent to Taiwan's overall investment overseas. But if you look at in, like, the year 2016, it was still relative to about the 65 to 70 percent. So that's a tremendous perception change. And that has to do with the way the Chinese – how they see the Chinese economic opportunity, and the Chinese overall economic conditions.

And not to mention that since Xi Jinping come in, in year 2013, we do see that the decreasing of the GDP growth expectations from 7 percent, 6.5 percent, 5 percent. Even last year they said that there it will be 4.5 to 5 percent. And we expect that probably that will only further decrease still. And so that is the issue that China no longer as formidable economically, and probably also others, as it was in the past. That's very different from the China rise story, particularly from year 2003 all the way to year 2010 or even '12.

But militarily, Chinese actually become very aggressive and also prominent in overseas. I think that has something to do with the year 2015 the defense white paper, in which for the first time they started include the overseas interests as part of the rationale for the Chinese military activities, that the Chinese military needs to safeguard its overseas interest. I think since then we started to see very aggressive and increasing military activities and those. So that would be the question I have, the perception from Taiwan side on the China, number one.

And about the Chinese perception of itself, I would say that, in our view, I very much agree with Bonnie Glaser about the Chinese economic outlook right now. But it seems to me that, particularly after year 2021, looking at performances of the Western democracies, Xi Jinping started to firmly believe that the rise of the East and the decline of the West, that is here to stay. And since then, all the policy operation assumption is based on this. There is a very strong – (inaudible)– that is the defining moment that is how the policy will run. And so the – what we are witnessing right now is that the Chinese is actually at looking itself in this part, but our – we believe that probably its national power is not as prominent as it was before. And that difference is about itself. It's also about its own perception. That, in our view, leads to a very different expectation when we believe what they should do, but that they did not.

Now, the third question regarding what have the world's perception of China changed over the decade. First of all, I will say that in the past, particularly 10 years ago, people basically look at China as economic opportunities. But right now, they more or less they look at China not just at – there's still economic opportunity, but China also represents more and more as a risk, particularly the story about the China shock 2.0. But also, the last 10 years,

the geopolitical competition with China has also become the norm that everyone recognizes, that that could be the relationship.

Although in the Global South, as Bonnie just mentioned, that they look up to the China as when they are sandwiched between the United and China. And they look at China as a way they can provide a cheaper way for them to develop. But there are also the consequence about you relying on China, about how that creates a past dependency for itself, that also become much well known among those countries. But basically, I'll say that China right now is very successfully taking the Global South as under its wing in preparing for the competition vis-à-vis the United States-led Western powers. So I'll just stop here. Thank you.

Dr. Lin: Thank you, Dr. Lai. I think one area where I see slight difference between your perspective and Bonnie Glaser's perspective is on China's economic power, right? So, Dr. Lai, if I heard you correctly, you said that China was much more formidable as an economic power, and its GDP growth has been slowing. But you're still – but it also seemed to – you also seem to be saying that China is less of an economic power now than before. Maybe I misinterpreted?

Dr. Lai: No, China not as – not as formidable.

Dr. Lin: OK. And I thought Bonnie was saying China is perhaps still very formidable, if not more than before, compared to 10 years ago. So at least one point of difference so far.

Let me now turn the floor to Scott Kennedy, our actual in-house resident econ expert.

Ms. Glaser: You can settle this.

Scott Kennedy: Thank you, Bonny. And congratulations to you and the China Power Project, for Bonnie Glaser's original inspiration to create it, and then for you developing it in such a fantastic way. And it's great to be here celebrating the 10th anniversary. Being in-house doesn't give me any monopoly on truth whatsoever. (Laughter.) So let a thousand schools of thought contend, at least – at least a thousand schools of thought.

So I wanted to focus mainly on the first of the three questions, but I'll say a little bit about the latter two. And happy to pick up the others in the discussion with the audience as well. You know, I think – and since I do work on economics, I'll focus mostly – but I do think that that's the area where the change over the 10 years of China Power being in existence is the most obvious, right? Where it used to be about simply the question of Chinese scale and the size of the economy, and looking at what – how big China is

relative to the United States. And we've seen, you know, it come up to about 70 percent. And, as I-Chung says, with the slowdown recently it doesn't look like those lines will ever cross, for at least – at least a while.

But what has occurred is that China's economy has become indispensable globally. It is indispensable to everyone, whether they like it or not, as a supplier of critical materials and raw earths. We know that when we were down to a few weeks. And we're still debating this. Of intermediate goods, of – as a producer, as a manufacturer, and now as an innovator. Ten years ago, or more, you know, China was ranked around 25th as a leading innovator. It's now 10th. So that speed, that's the spillovers from the different industries helping each other. The process knowledge, not just the IP and the royalties that come from it. So China's place in the physical global economy has changed dramatically over the last decade that your program has been looking at China and measuring its power.

That change has had huge effects on China's other elements of its power. Bonnie mentioned the military-civil fusion. And, of course, you could look at drones, satellites, energy, many different ways – missile technology, the way AI is increasingly going to be used. I'll just focus on sort of parts of the diplomatic portfolio. And if you look at the world of technical standards, where the Chinese have, for 30-plus years, sent a gazillion people to all of these meetings, gotten people elected to leadership, but they really haven't influenced the content of those standards as much until they had actually the technical capabilities.

And so in 5G, Huawei is the leading contributor, but if you look at the contributions from Chinese it's a whole range of Chinese companies that have their ideas in 5G. And now they're working on 6G. And the Chinese companies are at the forefront. And this is not just state-backed companies or pseudo-state or pseudo-private. These are real private companies that are all engaging in international diplomacy as never before. So that's really significant.

The other – I guess the second point is there's some ways in which the United States, if you're talking about power in relative terms, where we are still much stronger. China is a financial weakling. It has not increased its financial strength internationally barely at all. That's the closed capital account, the need for maintaining domestic financial control because they want to use the financial system to fund industrial policy and their priorities and protect the party's hold on power. That's way more important than having everybody invest in China and having an internationally, you know, floating currency, et cetera. And so, when Greece had a financial crisis and it shook the global economy, that's because Greece's financial system was open. China today is having financial problems and we're barely feeling it because, internationally, they're not strong financially.

Militarily we're still, I think, on balance doing better, as much as they have improved. I think China's political system, its having – not having many allies, its soft power. These are still significant constraints on China. I would say that both China and the U.S. are still – are damaged powers. I mentioned some of the challenges that China still has. And, of course, the U.S., we are creating a lot of self-harm to our political institutions, our cohesion, the relationship with our allies. And I think there's a question, if you're just measuring, you know, between the two of us, is there some tipping point at which the U.S. does something which really gives China a huge advantage? In terms of – so, I think it's changed, but not across the board.

In terms of self-perceptions, I would agree China's official perception – and I think this is actually what officials believe, Xi Jinping and those around him – is the East is rising, the West is falling, and for them every day is some kind of DeepSeek moment that they can point to that makes them feel – that certifies their original perception that they are doing amazingly well. I do think, though, that when you travel in China, and when you look at surveys in China, the non-official view is different. In March of 2022, I'll just – this is the last point – when they had the Shanghai lockdown, consumer confidence dropped like a – nosedived.

And it has not picked up since. And that's – so consumption hasn't grown, housing market hasn't recovered. And when you survey Chinese about inequality and the system, they increasingly blame the system for inequality. And they don't blame local governments. They blame the center. And so I think the gap between the official view and narrative and what lots of Chinese think is larger than ever. I think there's also wide dispersion globally, but I think an important point for us to tackle and explain is that widening gap inside China.

Dr. Lin: Great. Thank you very much, Scott, for a number of details, including looking more domestically within China, in terms of their own self-perception problems that we see within the Chinese economy.

Let me turn to our last speaker before asking each of the speakers to respond to some questions and then opening it up to Q&A. Please.

Yasuhiro Matsuda: Thank you for having me here. And congratulations to the 10th anniversary of the China Power Project.

Well, it's always a very big challenge for the last speaker to say something different. Well, I basically agree with Dr. Lai's viewpoint that over the past decade China has transformed from a rising economic power into a power that has already peaked. In other words, I think that China is an already risen country, or China's rise is effectively over, it is a very strong power already. But the economic situation is, you know, kind of very uneven for – or

different for different regions, different for different industries. And Shanghai is OK, but other, you know, regions are facing very big difficulties.

But, you know, I agree with Dr. Kennedy's perspectives about, you know, China's, you know, advanced technology in cutting-edge, you know, domains like AI, robotics, and quantum computing, and everything. These are very good. But there is a big gap between the national economy, lower consumptions, and the public economy caused by the real estate industry. It has burst, and still bursting, and so on. So it's an uneven situation. And the thing – one point that other speakers didn't mention is China's specific power on economic negotiation. And China has thoroughly studied U.S. economic statecraft, built up its own retaliatory capabilities, and began actively imposing economic sanctions on other nations. Japan is one of them. (Laughs.)

And compared to 10 years ago, China has gained greater resilience against U.S. sanctions, and can now sanction other countries with relative ease. Back in 2016, before facing the first Trump administration's economic statecraft, Beijing seemed to assume that U.S.-China relations would remain anchored in free trade. When hit with sanctions on ZTE, China was in a state of shock and largely incapable of responding. Today, however, China can negotiate with the U.S. on equal footing, even hinting of export restrictions on rare earths in response to U.S. reciprocal tariffs.

When it comes to military power, the expansion is even more striking than in the economic realm. To forcibly unify with Taiwan China requires three key capabilities. First, the ability to invade and occupy Taiwan. Second, nuclear forces to deter U.S. intervention. And, third, anti-access/area denial, A2/AD, capabilities to block U.S. forces in the Western Pacific. Ten years ago China had only one aircraft carrier tasked with A2/AD operations in the Western Pacific, and zero amphibious assault ships for invading Taiwan. At that time, there was no clear indication that China was seriously building the capability to militarily occupy Taiwan. Today, China has three aircraft carriers and four amphibious assault ships, and they are increasing. And there are reports that 320 new ICBM silos have been built and nuclear warhead production is ramping up, though details remain unclear.

Regardless, there is no doubt that China is building up its military forces targeted at Taiwan at a terrifying pace. But if we take A2/AD capability in the Western Pacific, I think that China is facing huge difficulties because there are no logistical support in the Western Pacific. If you want to take over Taiwan, you have to control Western Pacific. But if you want to take over Western Pacific, you need to take over Taiwan first, and you need to at least neutralize Japan beforehand. This is a typical Catch-22 situation. So but still, China is challenging, and China is making lots of efforts to overcome those difficulties.

In summary, despite a slowdown of its national economy, China has transformed into a major power with distorted strength, one that deploys aggressive industrial policy to maintain national dominance while pursuing massive military expansion to exclude the U.S. military and invade and occupy Taiwan. I'll stop here, yeah. Thank you.

Dr. Lin: Thank you, Professor Matsuda. Can I just follow up? You mentioned something that – at the very beginning, that you believe China has peaked, its power has peaked, and China is no longer a rising power. Is that mainly from the economic perspective? Because when you describe China's military power, it seemed like on a different trajectory.

Mr. Matsuda: Yes, exactly. China's economy is slowing down, so that – you know, that – but still the size of its economy is still very huge. So that the authorities can pour a lot of resources to a certain area, such as military, you know, arbitrarily, you know. And look at Japan. Japan's economy is slowing down, but its economy is bumping – its military is bumping. So it is a matter of choice. And Xi Jinping's choice is very clear.

Dr. Lin: Yeah. Thank you. One quick follow-up question, and then the question I have for the panelists is to weigh in, if you agree, from your perspective, that China's power has peaked. So, Professor, the follow-up question I have for you is, given your description of China's economic issues and troubles at home, and how overall that is impacting China's overall national power – comprehensive national power, do you also expect that to eventually also have an impact on China's foreign policy and influence globally? Do you think, for example, China's global influence has also peaked? Or is there a delay and gap in that?

Mr. Matsuda: You want to ask me?

Dr. Lin: Yeah. I'm just trying to understand what is your perspective on the China power peaking. Like, does that also pertain to China's global influence?

Mr. Matsuda: I think that global influence is another thing, because there is also a matter of perception. But, you know, if China under Xi Jinping continues their current posture, you know, taking, you know, the national economy, especially the, you know, consumption of the people lightly, and, you know, heavily focusing on the, you know, high-tech, and exporting, and so on, this kind of Imbalance continues for more than five or 10 years, and also, you know, the military growth is so high, I think that China will face a serious problem in the future, you know? Yeah, this is this is my perception. Yeah.

Dr. Lin: Fascinating.

So, Scott, let a hundred flowers bloom, right? What is your view on the peaking question?

Dr. Kennedy: You know, when we look at things long term we tend to look at everything as structural. And we tend not to see anything as cyclical. And I think we're in one of those moments right now where we're looking at everything in China as structural, and that the slowdown that we're seeing is a product of demographics, huge debt, and things that no policymaker could change or adjust. And I think we need to be open to the possibility that even with their predilections that they have, that they might make some different policy choices that might actually cause growth to shrink even more in the short term, if you actually realize some of that debt and made it explicit, but might open up pathways to expanding consumption over the longer term if you invested in the social safety net and education, and if you tried to address some of – a lot of the kinds of tensions that they have with the rest of the world that creates all of this anxiety about rising Chinese power.

So I think a lot of the – I think we need to be open to the possibility there could be some adjustments. And this comes down maybe to a greater reading of where we think – what are the potential possibilities about Chinese politics? As I mentioned before, a lot is domestic. But our assumption, of course, is that the current leadership will be there for a long time, and they're going to pursue this strategy. And I suppose that would be the most obvious expectation and dominant view. But it wouldn't necessarily – I don't think we ought to leave out other possibilities, given the dissatisfaction in Chinese society, and eventually another generation that might have different points of view.

I think the other question is the international system right now looks totally chaotic. We have no rules on government intervention in the economy, industrial policy, the role of when is it appropriate and inappropriate to use force. China has just come out in the last – since your program has been in operation – these four global initiatives, right? Civilization, governance, et cetera. And it's still figuring out actually how to operationalize basically all four. And so I still think that there's a possibility that Chinese power will continue to grow. Will it be healthy, good for the world? What will it mean for us? No idea.

Dr. Lin: Thank you, Scott. Dr. Lai, I-Chung.

Dr. Lai: Yeah. I think the economic turn, definitely we do not think that China will continue to grow as such, as in the pass. Although it probably will grow. But we have to calculate the relative growth of other countries, for example, Taiwan, for example, Southeast Asia, and others. The difference between those countries and China is actually shrinking. And the difference between China and the United States is actually enlarging. So that is how we are

seeing the development right now. And also, the way that – since China always claimed Taiwan as a part of China, and we do find out that – right now, that China is actually relying more on the military threat against Taiwan and the disinformation from the inside. Ten years ago, China is very confident that believing that they can just buy Taiwan because it's much cheaper, but now no longer talk about those. So I think that demonstrates the kind of the lack of confidence in that part. And that's also demonstrates regarding whether the Chinese power is – actually continues growing. But our experience tells us probably that's something else.

Dr. Lin: Bonnie.

Ms. Glaser: I think my view is probably closer to Scott's. I think policies matter. China's dual circulation policy is an example of decreasing its reliance on the rest of the world in terms of imports, but continuing to export a great deal to the rest of the world. China has pursued this policy, essentially, of self-reliance, which I think, in some ways, gives it an edge and enables it to take advantage of chokepoints in other economies, like we have with rare earths, that we share with Japan and so many other countries. And so that is power. You want to call it – it may not be overall GDP growth. And people still debate whether China's economy is growing at all, and is if so, what is it growing at? Two percent? Or is it really going to grow at 4 to 4 ½ percent?

Clearly, China's economy is slowed down. But its industrial mass and its supply chain depth, I think, really matter. And China is the number-one trading country of, Scott, what is it, 150 countries, I think, right? And so that matters, right? I mean, there are many countries in the world, as Scott said, that are dependent on China for inputs, for components, in some cases for finished goods, for minerals. So I think we have to talk about what part of the economy are we looking at. And to say that it's – that China's economy or economic growth has peaked, without digging into those aspects of its economic power, I think it's just not – it's incomplete.

Dr. Lin: OK.

One final question I have for each of the panelists. And I'll start with Bonnie first, since you mentioned this. And I think you already shared some of your perspective in your opening comments. Is I wonder if, looking at China's power, we have a very different picture if we're looking at China's power in the Global South versus in the developed world. And I think, Bonnie, you mentioned this in your opening comments. From your perspective, at least in your opening comments, it seemed to me two different perspectives. And I just wanted to get your views on elaborating a little bit more about what is the difference? Why is there such a different perception of China, or if there is, between the developing countries versus the developed countries? And if other folks on the panel agree with that, how you perceive China's power

may actually depend on where you are in terms of both your economic development as well as if you are an established democracy.

Ms. Glaser: : Well, it's a really important question, Bonny. And I think it really – it's interesting to look at specific case studies on this question. And clearly, in the developing world, there is a desire for economic development. And countries have – there's been a surge in – and there was this surge in demand that China filled in many countries for infrastructure. Now it's digital connectivity. And this has been through lending, where China had a great deal of capability to loan money. I mean, this is not primarily investment. And some of these loans were obviously pretty high interest rates as well. And some countries, as I mentioned, just have difficulty trying to repay China.

But nonetheless, China has played an important role in trying to bring development to various countries in ways that the United States was really not competing, because U.S. assistance for countries was not in infrastructure, for example. And so I think that the Chinese have been relatively successful, at least in the first period of their Belt and Road Initiative. They now have far less money to lend, so they're engaging in a somewhat different approach.

Countries that are weaker, and particularly those that are in geographical proximity to China, do not want to be subjected to Chinese pressure, whether it be military, coast guard. And there is a desire to hedge, to balance, certainly. All the countries, I think, just about in Southeast Asia really want to balance against Chinese power. They don't want to have to face China alone. They don't want to have to accommodate to China completely. Countries want to protect their sovereignty. And generally, I mean, if you're sitting in Africa, you're probably really not – or Latin America, you're not so much worried about that. But those that are geographically close to China definitely are. So even if you're looking at the developing world, you have to divide it into these different categories. Countries that are close to China, I think, are far more concerned.

And then you have the developed world that I think is very worried about potentially military threats, China's – as Yasuhiro-san mentioned – China's growing nuclear capabilities, and the ways in which China is using its power to impose, you know, coercion and sanctions on others. Which, as I-Chung talked about, is still evolving. But if you look at the way China is developing, is sort of building out these capabilities, this is, I think, more threatening to the developed world, right, than it is to the developing world.

So I think that the interests are somewhat different, and the ways in which countries look at how to manage these things are different. The developed world, I think, trying to work together – with the exception maybe of the

United States right now – (laughs) – to fend off pressure from China. We see European countries trying to work together more effectively. That's probably one of the best examples where you have a recent agreement to limit the number of hybrid cars that would be imported from China into Europe. And I think there are – the developing countries are not doing as well, I think, in terms of fending off China's pressure, and working together to cut deals that would protect their interests.

Dr. Lin: Thank you. Dr. Lai.

Dr. Lai: Just complement what Bonnie has said. And I would just like to add probably about three points. The first one is that, in terms of China's influence in the Global South, we cannot ignore the Chinese, to a certain extent, it's, like, inspiration for many Global South countries about their development. The way that they look at China, coming from an extreme poor and, in a very short period of time, become the number-two economy in whole world. So that that trajectory or that reputational inspirations is something that also inspire a lot of Global South countries to look up to China.

But another thing is that the Global South countries, particularly China claim to represent them. The India development side, particularly after the Belt and Road Initiative and all those big projects being announced, despite the Chinese right now do not have that deep pocket of money for the further of those development, but the project that hasn't really been developed and actually created a kind of past dependency. So that the less Chinese that have the money to sustain those projects, but they actually prolong the past dependency of those country with China. So that is another important development that, when we look at the Global South and Chinese relationship, that is how the past dependent due to the establishment of those Belt and Road Initiative, particularly about non-finished part, and how that is prolonging and, to a certain – and, ironically, the lengthening Chinese and strengthening Chinese influence, and also its linkage with the Global South country.

And finally, China basically also, to a certain extent, sort of voice out and represent some of the Global South's grievances toward the developed countries regarding the way to develop and how the string attached with their loans, and how those – and China sort of they speak for them. And they look at China about what they view as injustice being imposed upon by the Western powers. So I think that those three elements are also important.

Dr. Kennedy: I think when you're trying to determine China's – the reactions of the Global South and others, I guess there's, like, four kinds of things folks are looking from China. They want China to help them with economic growth, right? Help protect their political sovereignty, right? Provide security, and provide other kinds of public goods. You know, addressing commons issues like

climate, or health, or the potential consequences of AI. China helps provide some specific things in each of those categories that Global South countries tend to like, overall, compared to wealthier democracies that get some of these things, but are quite concerned. So I think there's that broad difference.

I would say, though, that although there's this broad difference within the Global South, there's lots of anxieties, right? And I guess it depends what you call the Global South, but if you look in Southeast Asia, I'll give you an example, Thailand's auto parts industry, which has been hugely affected by the flood of Chinese EVs into that market. And these Thai auto parts makers historically have been providing help to Japanese, South Korean, and others. But now that there's no internal combustion engine, no one needs their carburetors and all the other things that they've made. And so what does that mean for them?

If you go to a place like Ethiopia, I really encourage everyone to look at Maria Repnikova's book on soft power. Just absolutely fantastic. Authoritarian country. Got lots of Chinese aid and support. And still, she finds lots of people that are deeply anxious about China's growing presence in the country and in the region. If you go to a place like Brazil, where the Chinese have invested again in auto sector, human rights abuses pointed out in these auto companies that makes Brazilians quite worried. So as much as there is, relative to the developed world, positives, China is generating anxiety, I would say prematurely, that makes it – potentially creates a cap on how much the world will accept the legitimacy of China is a superpower.

Dr. Lin: Thanks. Professor.

Mr. Matsuda: OK. I think that Global South is also very different for different countries. But, you know, as a whole, you know, originally they basically, you know, quite welcomed China's alternative development model and its competition with the West. And it allows them to diversify their economic partnerships. However, some nations have become overly reliant on China over the past decade. Several have fallen to debt traps, effectively ceding partial control over their sovereignty to Beijing. In these countries, a change in government often triggers a swift shift toward a negative view on China.

And there are a bunch of countries, particularly like Southeast Asian countries, benignly began to be uncomfortable about the excessive presence and influence of China. And, for example, I have just visited, you know, the Philippines a little while ago. And I found that the Philippines doesn't look like a country in the Southeast Asia. It's more like Northeast Asia, you know? (Laughs.) Quite different from the region. And, you know, the Chinese influence is decreasing, you know, ironically. And on the other hand, Taiwan's presence is increasing in that country. So I think that the Global

South cannot be discussed in a kind of monolithic – as a monolithic entity. You know, it's different for different situations – you know, positions. Thank you.

Dr. Lin: Fantastic. Thank you so much for this initial presentations, as well as answering two questions across the panel.

I do want to open up to questions and comments from the audience. There will be, I think, one floating microphone. I'll try to call on folks in the order that I see them. So you first over here. Yeah, the microphone's right there.

Audience Question: Thank you. Thank you. Nayan Seth from the South China Morning Post.

I have a question for Ms. Glaser. You mentioned that China's neighbors are trying to balance, you know, China's growing power with the U.S., or other regional powers. Secretary Hegseth is in the Philippines right now. And he held a meeting with the defense ministers of Japan, Australia, and the Philippines, which is loosely called as a squad. There's a Quad foreign ministers meeting coming up in Atlanta, followed by a leaders' level summit in the Philippines next month. My question is, do you think this renewed focus from Washington in terms of interacting with allies and partners, is there a message being sent to Beijing before President Trump meet Chinese President Xi in Shenzhen? Or is this just because Philippines happen to have the ASEAN chair, and it became, like, a convenient way for U.S. to reaffirm their commitments? Thanks.

Ms. Glaser: Well, I think this isn't the first time that you've seen an official from the Trump administration in the region. So, you know, we could give a lot of examples of military exercises. The Balikatan would be one example. There have been meetings of U.S., Japan, Korea that have taken place. To me, this isn't a sort of black and white situation, where you've had the Trump administration not paying any attention to Southeast Asia. But it is true that most of the attention has been focused on the Philippines. But there have been visits to the region by various U.S. officials. Secretary Rubio has been involved in all of the Quad foreign ministers meetings. It is President Trump who originally was going to go to India for the Quad leaders meeting, and then decided not to go. And so we haven't seen a Quad leaders meeting. And now we are going to see one for the first time in this administration.

Certainly, the fact that the ASEAN meetings are taking place in the Philippines provides an opportunity. The ADMM-Plus meeting that Secretary Hegseth is attending also. These are opportunities. And then President Trump himself will be going to Manila as well as to Shenzhen. So the fact that the Philippines is the chair, yes, it certainly provides an opportunity. But I don't see this as, like, a fundamental break from what the Trump administration has been doing. There had – on the security side, there's

quite a bit, I think, defense and military exercises that have continued, that are pretty much on automatic pilot, even as we have had some reduction in some capabilities and systems, maybe even some exercises, because of the focus on Iran and the war. But nonetheless, I welcome it as a positive trend. And I think that the region really welcomes it as well. Showing up is really important to every U.S. ally and partner in the region.

Dr. Lin: Let's collect a couple of questions.

Audience Question: Yeah.

I was intrigued by the last round of questions on the Global South. I direct the Global South program at the Quincy Institute. And I'm wondering – I'm just going to put out a provocation and see if panelists have a thought on that. I think there's absolutely some great points being made on the coercion from China the China shock 2.0. I think there's a lot happening that causes anxiety in Southeast Asia. Clearly, there's an anxiety on security with respect to China.

But then, when you compare those anxieties of coercion from China, and you compare them as a dynamic curve or chart against the anxieties about coercion from the U.S. historically, not just any particular administration. So if you think of secondary sanctions, you think of sort of World Bank standards, I think that was brought up briefly, in terms of good governance norms, or, you know, satisfying certain standards that are decided in Washington or Paris or whatever. And then host of – growing conditions of all sorts on domestic governance, there's a kind of a race between standards set by the U.S. and standards that are effectively being set by China.

And it seems to me that the U.S. has always led that curve on, you know, sort of more standards and more demands. So wouldn't you say that that really is a very critical aspect, other than the fact that, you know, there are development models in China and the U.S. that are competing? The fact that there are pressures from both great powers, and the pressures from the U.S. have actually often exceeded those from China, even now, that cause the Global South to tilt – at least be more open to China than the U.S.? And how do we change that curve – (laughs) – so that we get crossover in our favor? Thank you.

Dr. Lin: I think I saw a hand back there, and then one up here.

Audience Question: Yes. Hello. Hello. Can you hear me?

Yes, my question is on capital controls. As you know, China has implemented a good amount of capital controls here. Treasury bond is very low, 1.7 (percent). Inflation is low. And they've been trying to tax their rich, which

has been on plan. So what can U.S. do to depreciate their yuan? Because I feel that if we can make their GDP inferior, make it less, that could be very beneficial. Do you have any strategies on getting their GDP down by reducing their, you know, currency?

Audience Question: Hi. Rama Pai, University of Southern California.

Ms. Glaser and Dr. Lai, you guys talked about the BRI, Belt and Road Initiative. And you guys – and, Ms. Glaser, you also mentioned how the loans that they are giving to the Global South are of high interest rates, and some of these in past precedent have failed, and have failed to pay back China. And because of China's lack of natural resources in their region, they have to go to countries like South Africa to get these natural resources. Is it any point of concern for the Chinese economy, as all four of you have mentioned, that it has been decreased – their GDP has been decreasing in the past couple of years? Is it a point of concern about any economic bubble or economic collapse in mainland China because of the failing debts?

Dr. Lin: So three very different questions. I'll turn to the panel to see if any of you want to address any of these questions.

Dr. Kennedy: In in terms of anxieties about the U.S. and China, and the different demands that we make, I think it's important to recognize that the kind of U.S. demands have shifted over time. Prior to the Trump administration, there was a lot of anxiety and resentment about conditionality of foreign aid, and the need for a lot of accountability, and transparency, and hence the argument that, you know, China would come with a check and the U.S. would come with a checklist, right? Now, the U.S. isn't providing that kind of checklist. One, we're not providing aid of any sort, but we're now putting pressure in the case of extremely high tariffs and demands for collaborating on technology restrictions towards China and transshipments, and many other things just depending on the flavor of the day and the election and the political candidates in those countries and how they are.

All of that, I think, is you found – you find anxieties in the Global South. I've been looking at Southeast Asia. And you see that in particular. And so, yes, compare, you know, China's concerns, these are more politically charged concerns. I think the difference, though, is that China's approach looks like that's a permanent, long-term strategy that's unlikely to change unless we see significant political changes in China, which nobody is predicting. Whereas the American political trajectory looks a lot more unsettled. And that we – there may be a lot of volatility in American politics, and the shift that we've made may not be as permanent. And that may give people some sense of possibility that their relationship with the United States and other like-minded countries could eventually evolve.

You know, it's not just enough for the U.S. to go back. As I said, you know, people don't – countries don't want just checklists. What they want is a strategy for economic development, for solving big problems. And the U.S. needs to go back to the drawing board, with others, to come up with a better offer to the Global South, and others.

Dr. Lin: So we're coming up to the last couple minutes of this panel. So I want to turn to every speaker for any concluding thoughts from your end, or if you want to address any of the questions that were posed. Maybe let's – let me go to Professor Matsuda first.

Mr. Matsuda: OK. Maybe compared to 10 years ago, I think that most of the advanced economies or democracies, like Japan, the United States, and Europe, and Australia, there was still – 10 years ago there was still a strong belief that China was a partner for cooperation and target for engagement. Today, these countries describe China using terms like "strategic challenge," "strategic competitor," or "systemic rival," phrases that are practically synonymous with threat. The key catalysts for this shift includes a large trade deficit, supply chain crisis during the pandemic, military pressure on Taiwan and others, and coercion, and China's growing role in Russia-Ukraine war.

But the problem is U.S. behavior is quite, you know, counterproductive to unite these countries. And other countries – other group of countries, like China's neighboring countries and regions, also escalating. You know, China has escalating – has been escalating pressure on the neighbors for, it's not only a decade, but more than two decades. And they maintain a particularly high level of vigilance. However, just a decade ago the Western nations still, you know, pursuing engagement with China. Domestic debates within these neighboring countries were split between pro-engagement and pro-hedging camps.

And today, the common threat across these regions is that engagement camp has weakened, while the hedging camp has gained upper hand. But still, the problem is the U.S. behavior and attitude. So that they are kind of – they have a kind of hesitance to – you know, to make a clear stance against China. I think that the – you know, in front of China's, you know, growing challenges, I think that U.S. role is the key. Let me finish here.

Dr. Kennedy: Just a quick point, and maybe just to look forward to the next 10 years of the China Power Project and what some work that you all will probably be taking on. I think a meta question is going to be what happens if China's power continues to rise, and it looks like it's becoming increasingly successful, and the world increasingly is pushed to accept a Chinese view of how things should be governed, how – not just how they should interact with China, but the global rules of the game. What does that mean for everybody? And what will be the signposts to let us know that we're in that kind of world?

The alternative is a China that whose economy suffers, that looks more like a failure, that there is internal dissension and things. And what will that mean if China becomes a weaker country? In some ways, when we talk about the U.S.-China competition, I know that's the next panel, that looks like the easier challenge for us, if China is weaker. But that's not necessarily an easy challenge for the whole world. It still will present a whole variety of complications. So regardless of whether China gets stronger or weaker, there's going to be a big role for China power.

Dr. Lai: Regarding the issues – the question about the Chinese Belt and Road Initiative to the Global South countries, whether some of the country that cannot afford to payback, would that lead to the bankruptcy or lead to the Chinese economic problems? I would say that if you take the number, like about 10 or 12 years ago when Chinese developed the AIIB or the BRICS Development Bank, I remember the initial – the capital is about $40 billion. And that's also with others. Even including the Pakistan, the package – the total number is not exceeding $60 billion. But last year, one Taiwan company, TSMC, our investment in Arizona, we are talking about $100 billion or $200 billion. So in the Chinese economy, the scale, those are, like, nothing.
So I do not think that even for those projects that the country fail to pay back, they will lead to the Chinese economic problems, because the number are not significant enough to impose a cost on China. But also, China found a way to restructure how to pay back the loan through the capture about natural resources in very cheap ways. So that even though those countries they cannot pay back the cash, but the natural resources China were able to grab also compensate in a very different form for what China needs for development/ So that is the way that – on how to sustain, and also increase the dependency for those countries on China.

But finally, I'll say that the next 10 years, just like what Scott pointed out about the competition, I will be very interested in knowing how the artificial intelligence changed nature. It's not just about how the U.S. and China, they're developing in artificial intelligence and the capability vis-à-vis each other, but the artificial intelligence itself is going to restructure the whole society and the way of doing things. And how will that affect the current operational norm? And through those, places tremendous impact about how competition or cooperation will be performed and normalized. That's a very, kind of, different world that we will be in. So I'm interested in knowing how that's going to shape us. Thank you.

Ms. Glaser: So I'll make three points.

One is in response to the question about a possible collapse or economic bubble sort of bursting in China. I don't think the Chinese government would allow its banks to fail. So I have not heard people in China express concerns.

I mean, this is something that – I think, that they can control. And if they don't get all their debts paid back, this is going to be an ongoing negotiation in any case. But I don't think that – at least, I have not heard from economists in China concerns about sort of a bubble bursting.

Secondly, in response to your question about sort of Chinese coercion and U.S. coercion, I think that countries have to manage their relations with China, with the United States. And, ultimately, they want to protect their own sovereignty. And they have to maneuver and they have to use whatever tools they have available. Countries that can diversify their relationships, and where they might get inputs or have export markets other than the United States or China, that's what we're doing – we're seeing countries do. There's a lot of diversification going on and countries that are trying to work with each other. But, as I said, I think that Global South countries are doing less well in this area than advanced countries like Europe.

I mean, there's an interesting difference between countries in Europe that are now looking to really work with each other and strengthen their ability to defend themselves and strengthen the European market, and so they're willing in some ways to stand up to the U.S. Whereas, if you look at countries in Asia, you find, whether you're talking about Japan or even really Korea, or Taiwan, Australia, the United States is just indispensable for these countries. I mean, first and foremost, for Taiwan, which, you know, no other country is really going to come to Taiwan's defense unless the United States is there. And that would open the door certainly for Japan.

And then my – so my last point, which maybe is a good segue into the next panel, is just that I think all countries in the world are watching the U.S.-China relationship very closely. Because what happens in the U.S.-China relationship is really consequential for everyone. Is this relationship going to be one of managed rivalry? Will there be a real rupture? Or will there be some accommodation between the two countries? And so I think the entire world is watching as, you know, President Trump, Xi Jinping have all these summits.

And countries want stability. But, of course, they want it not too hot, not too cold. Not too much cooperation, potentially at their expense, but also not sort of a complete decoupling between the United States and China. So I think that that also is important, as we think about the situation sort of going forward, and Chinese power versus U.S. power. All the other countries matter in the world. It's not all about the U.S. and China. But all these other countries are really concerned about this bilateral relationship.

Dr. Lin: Perfect. Thank you very much, Bonnie, for helping to wrap this up, and also teeing-up the next panel.

I want to thank all four speakers, Bonnie Glaser, I-Chung Lai, Scott Kennedy, and Professor Yasuhiro Matsuda. So thank you for sharing a variety of views. And let's give them a round of applause. (Applause.) So we're going to have a five-minute break. And we're going to reconvene at 3:45 for the next panel on U.S.-China relations.

(END.)