TRANSCRIPT

The Asia Chessboard Podcast

“King of the Chessboard? Xi Jinping and the Future of China’s Grand Strategy”

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Andrew Schwartz: Welcome to The Asia Chessboard, the podcast that examines geopolitical dynamics in Asia and takes an inside look at the making of grand strategy. I'm Andrew Schwartz at the Center for Strategic and International Studies.

Hannah Fodale: This week, Mike is joined by Elizabeth Economy of the Hoover Institution to explore the evolution of Xi Jinping's leadership and China's current foreign policy strategy. Liz argues that there is continuity between Xi's strategy and that of his predecessors, but Xi's vision of reforming the global governance system and his increased risk tolerance are new phenomena. Could the US have predicted the rise of Xi Jinping and should the US change course in its strategy towards China?

Mike Green: Welcome back to The Asia Chessboard. I'm joined by my friend and former colleague at the Council on Foreign Relations, Elizabeth Economy. We are going to talk today about China, Xi Jinping, China's trajectory, China's strategy, China's limitations, all of which Liz Economy has written about and is a noted, widely respected expert on, much of which is the topic of her new book which we'll talk about. But before we get into China and the chessboard, Liz, let me ask you, how did you get here? Not to this podcast, obviously the pinnacle of your career, but to studying China and the international affairs.

Elizabeth Economy: Thanks, Mike, it's great to be here with you on this podcast. It really is a long and tortured story, my history of how I got to work on China, but let me try to give you the short version. Basically, I started off in love with the Soviet Union and I studied Russian and the Soviet Union in college. I lived in Leningrad during my senior year, spent a semester there and then went off, got my Master's, again, focused on the Soviet Union, worked at the CIA for a couple of years just as Gorbachev came to power. I became a Gorbachev analyst at the agency, spent a couple of years there and then went off to get my PhD. And it was really at that moment that China came into my life in a serious way.

Elizabeth Economy: I had my Soviet politics professors tell me that I kind of already knew enough about the Soviet Union, maybe I should think about doing comparative communism and the Chinese politics professors really encouraged me to study China. One of them, Ken Lieberthal, had actually been my professor in college as well. And he's a renowned China expert and also encouraged me to focus on China.

Elizabeth Economy: So I started studying Chinese and by the end of my PhD, to be frank, had there been a Russia job, because by the time I finished, it was no longer the Soviet Union, it was 1994. Had there been a Russia job, I would have pursued it, but there were no Russia jobs. There were China jobs because nobody cared that much about Russia, but a lot of people were starting to care about China. And so I took a job at the University of Washington in Seattle, and then I got married and had to move to New York. And that's how I ended up in the think tank world at the Council on Foreign Relations where, as you know, I've spent the past now 25, almost 26 years and just recently joined a Stanford University's Hoover Institution as well.
Elizabeth Economy: So that's how I came to be in this world. It's really kind of a story with a lot of serendipity involved, but obviously I couldn't be happier about how it's turned out.

Mike Green: So you started off by falling in love with the Soviet Union, not serviceable advice for young PhD students today, especially if you want to get security clearances, although you must have, if you worked in the agency. It reminds me, we got PhDs around the same time, and I remember reading a famous quote at the time from the historian Robert Conquest, who was a historian of Russia and the Soviet Union. He was at Harvard after the wall came down, the Berlin Wall came down, and a political scientist said, "Professor, I'm a political scientist. I've spent my whole career studying the Soviet Union. My discipline is supposed to be predictive and none of us predicted this. What should we do?" And Conquest said, "Switch your major to history," but you stayed a political scientist and you just switched to China.

Elizabeth Economy: That's right.

Mike Green: All right, so let's get into, by the way, I was in Leningrad in the mid '80s as a student. I took the Trans-Siberian back from Japan. I don't know if we would've met. You weren't a drunken Soviet veteran of the Afghanistan War or any of the other people I bumped into I suspect so.

Elizabeth Economy: Not even in my dreams, Mike.

Mike Green: Small world. So let's talk about prediction and China studies and political science. There's a big debate right now about whether or not the US lost China, should have foreseen the more aggressive revisionist, China's Xi Jinping. Kurt Campbell famously wrote with Ely Ratner that nobody saw it coming. I was in government quite a bit. I think people thought it was a possibility. You have others, well, the Trump administration officials are coming out and saying they were the first to discover it. You studied China a long time. Were you surprised by Xi Jinping's China and this more aggressive turn? In retrospect, does it make sense to you? And how do you explain it? Is it Xi himself? Is it the 2008 financial crisis which shifted China's expectations? How do you kind of explain the more aggressive China we see and was it foreseeable and did you foresee it?

Elizabeth Economy: Sure, so all good and important questions. So first off, I did not foresee it, no. Certainly the global financial crisis was an important inflection point. It was a moment where I think China said, "We don't necessarily need to use the United States as the model. We're not really seeing it." They began to talk about moving the world away from the dollars, the World's Reserve Currency. You had then Vice Premier Wang Qishan, very famously telling Secretary of Treasury Hank Paulson that, "We used to look to you as our teacher, but basically now we're not so sure what we have to learn from you." And of course you had China start to become more assertive in the South China Sea, especially rhetorically at the time by about 2010.
Elizabeth Economy: So you started to see some indications of a more assertive China, but at the same time, if you look back at that same period, you would see that China domestically was a very vibrant society. The Internet was a virtual political space. You had calls for political reform. You had upwards of 180,000 protests domestically. There was a sense that the environment was all the rage, right? So people doing online polls about calling on the government to move immediately to address environmental issues. So I think there was a sense that even if you saw some new dynamics on the foreign policy front, that politically the country was continuing on a trajectory that basically aligned with the US thinking about engagement and modernization theory, and the idea that as China's middle-class got wealthier that they would begin to express the same kind of demands for greater political voice in the system that most other countries had.

Elizabeth Economy: So I didn't foresee Xi Jinping. And frankly, I was with a group when the new Standing Committee of the Politburo was announced in November of 2012, I happened to be with a group, a large group of Chinese scholars and former officials in Dubai of all places. And I can tell you that they barely knew what to make of him. There was very little sense of who this man was at the time or what he was going to bring to the table. And I don't think many people anticipated the really dramatic turn backward in terms of political openness, economic openness, and the very aggressive and assertive foreign policy that we've seen emerge over the past eight to nine years.

Elizabeth Economy: So I think Kurt and Ely, their article was really about engagement failed. I don't believe engagement failed entirely. It failed to realize the end objective, but it did have important implications and contribute to many positive changes within China as well. So in any case, I can definitely not claim to have predicted Xi Jinping. Let's put it that way.

Mike Green: Right. And agency matters, leadership matters. Political scientists have trouble accounting for leadership because it's so hard to generalize and predict, but it matters enormously. And your description of the sort of heyday of convergence if you will, or of engagement seeming to work, reminds me, and history doesn't repeat, but it reminds me of Japan in the 1920s. When you look back at what Americans and Japanese thought about Japan's future in the 1920s, there was economic convergence, there were arms control treaties and contingency struck. The Great Depression, protectionism in the US, and then agency, certain Japanese leaders. And so it's a little unfair to say we should have all seen this coming. History is not that linear.

Mike Green: What do you make of the China grand strategy argument? Rush Doshi, he has a book coming out from Harvard University Press that in great detail will trace, I've read a manuscript, it does trace the core elements of Xi Jinping's national security strategy, going back to the Hu Jintao and even Jiang Zemin era. He's got the evidentiary trail, if you will, in the documents. Is Xi Jinping's strategy, is it more spin on the ball? Is it basically what was there before, but with a higher risk tolerance? Or is he moving in a new direction in terms of challenging more explicitly the US alliance system in Asia and other aspects of global order? Or is
it just a much higher risk tolerance, willing to just do more bad stuff to get to its goal?

Elizabeth Economy: Right. I mean I definitely think that is true. He is willing to tolerate a much higher degree of disequilibrium in the system. I mean I think we can see that from behavior in the South China Sea, we see it with the Wolf Warrior diplomacy. He is willing, I mean it's risk, but it's also this backlash that China is incurring, but they just keep pressing forward. There's been no moderation in, for example, that Wolf Warrior diplomacy.

Elizabeth Economy: But to your question, look, I think there are clearly lines of continuity from Hu Jintao, from Jiang Zemin, from Deng Xiaoping. I mean ambitions from, look, from Sun Yat-sen who talked about the rejuvenation of the Chinese nation. So that idea of bringing China's greatness back has been there for a very long time. How one would realize that I think differs, but I look at it as Xi Jinping has moved, for example, from staking claims around sovereignty, which is what Deng Xiaoping and Jiang Zemin and Hu Jintao did, to realizing them, right? So he's actually made the kind of progress that most of them just dreamed about doing sometime in the future. But the idea was certainly always there that China would take over Taiwan, hasn't taken over Taiwan yet, but would certainly reclaim sovereignty over Hong Kong, the South China Sea and Taiwan and other border disputes.

Elizabeth Economy: We saw India, border dispute with India this past year, obviously Diaoyu and Senkaku Islands with Japan. I mean China has some like 14 different border disputes. So I think we can look forward to a lot of activity on that front. Moving the United States out as the regional power in East Asia. Again, I think that's probably been in the minds of Chinese leaders. Xi Jinping is trying to realize that, I think through a combination of establishing new economic and potentially security architectures, trying to push forward on a code of conduct that would help move the US out and certainly building up China's military presence. Maybe the one area where I don't think, the Belt and Road Initiative, there's talk about a Belt and Road Initiative of some form earlier on, but Xi Jinping realized it. It's evolved under him into something much bigger than any other Chinese leader would ever have imagined.

Elizabeth Economy: And then finally, I think an area where I don't think the Chinese leaders previously had anywhere near the vision of Xi Jinping is this idea of leading in the reform of the global governance system, because no matter that China never perfectly adhered to many different international agreements and arrangements like intellectual property rights protection, there was always the sense that it was striving to do so, was striving to do a better job. Xi Jinping has basically said, "Yeah, we're not interested." As Yang Jiechi said in Anchorage, "We're not interested in your rules-based order. We're interested in the UN Charter." Although frankly, UN Charter is basically based on rules based order too. But any case, the idea being that China has its own values, policy preferences, and norms that it wants reflected in the international system. So I think there are definitely lines of continuity, but I also think sort of the scale of
Xi’s ambition, the sort of intensity with which he’s pursued things makes it just, it’s an order of magnitude different from what has come before.

Mike Green: Do you see this as the old making the world safe for authoritarianism? In other words, the effort to change rules in global institutions, International Telecommunication Union, WHO and so forth? Is this making the world safer for authoritarianism? Just basically protecting China’s system, or do you think this is really meant to be transformational in a way that, I don't know, Mao Zedong was a transformational leader or sought to be a revolutionary leader or American foreign policy in its own way was trying to transform the world order after World War II?

Elizabeth Economy: Yeah.

Mike Green: More defense or offense?

Elizabeth Economy: No, I think, frankly, I'm not a big fan of that argument. I mean the best defense is a good offense, right? And I think if you look at an issue like around Arctic governance, there’s nothing about China's move to play a much larger role in the Arctic that is about China protecting itself and making the world safe for China and its system. That is really about China saying, "We are a global power. We are a superpower, and we have the right to play really in every policy realm in every field and to shape it." So I think this is Xi Jinping's ambition and he's tapped into just a deep well, a deep reservoir I think of longing, of nationalism within the Chinese people. And even for those that don't like the direction in which he's moved the country domestically, I think many of them are very proud of what he has achieved to date and sort of plans to achieve in the future on the global stage.

Mike Green: Do you think this was in his DNA and in his makeup before he became Chairman of the Central Military Commission and the other key posts? Some people I remember, including scholars we both know well in China, looked at Xi Jinping during his rise and said, "This is a guy who went through the Cultural Revolution, whose father was purged, who like the rest of his generation is going to be skeptical of mass mobilization and ideology and Marxism, Leninism," and he surprised everyone. But then others are now saying, "Well, look, this was a guy who went down on the farm during the Cultural Revolution and took away from that, never lose power, not avoid it." Is that sort of where you come out?

Elizabeth Economy: Yeah, I think the thing—

Mike Green: Or is he discovering all this? I mean one argument is, look, this is China and whoever’s going to lead has got to ride this wave. Where do you come out on his own makeup?

Elizabeth Economy: I definitely don’t believe that because this is China, anyone has to ride the wave, doesn’t explain how you go from someone like Hu Jintao to someone like Xi
Jinping. It doesn't explain the difference between a Xi Jinping and a Li Keqiang or a Hu Jintao and a Wen Jiabao who said that basically we need political reform, right?

Elizabeth Economy: So, again, going back to the first point that we talked about, the agency of individual leaders matters, and I firmly believe that. But was it in Xi Jinping's DNA? I look back, frankly, to the point where he applied to become a member of the Chinese Communist Party 10 times, right? And he was rejected largely because of the problems that his father, who was a political moderate, had always been a political moderate, had during the Cultural Revolution. Actually, from the very beginning, he had problems with Mao, but so he sort of had a big black mark against him. So it took a lot for him to become a member of the Chinese Communist Party.

Elizabeth Economy: So for me, it was that moment between the time that he was sent down to the village and then he went to Tsinghua and he was applying to become a member of the Communist Party. That to me was the signal about how he looked at the political world. He was not going to be somebody who took away his experience from the Cultural Revolution and became a political reform or a political liberal, that was not who he was going to be.

Elizabeth Economy: So we might not have seen everything, all the way through his rise. I don't think there was evidence of what was going to emerge after he came to power. But I think from the minute that he was on the podium and he gave his first speech in his press conference in November of 2012, and he talked about the Chinese Dream, and he began talking about a People's Liberation Army that's capable of fighting and winning wars, a robust Chinese Communist Party at the forefront of the political system, that's when you began to get the sense, this is somebody different.

Mike Green: I wonder, I say safely from my sanctuary as a Japan expert, whether maybe China's scholars missed something pretty obvious if they really looked for it. In 2009, I went with David Chung, who you know from GW, to the Academy of Military Science and we got a briefing on China's new maritime strategy, which they were calling the Near Sea Doctrine, which was essentially contesting and then moving on to the second island chain, from the island chain that includes Japan and Taiwan and the Philippines out to Guam. And it was very aggressive, and at the time, Xi Jinping was vice-chairman and oversaw the entire thing.

Mike Green: So if a Japan guy could figure that out, maybe by accident, I don't know how we missed this about Xi Jinping. I think we should have, I think maybe, sorry China world, there needs to be a little self-reflection. Maybe people will say that about Abe in 10 years and yell at me, but it does seem to me that we probably could have seen this in Xi Jinping. And we were being told, a lot of us, by Chinese scholars that he was different. I think they were overly hopeful in Beijing and Shanghai at places like Fudan and CICIR about what kind of leader Xi Jinping would be. And we just weren't looking for the evidence I think.
Elizabeth Economy: Maybe, I mean I think it's true. He became the head in 2010, I believe. And at that point, that is when you started to see the more assertive behavior around the South China Sea. So I in fact do talk about that in my last book as well. I note that, but I think that's also one data point, right? And so difficult to generalize from that. I think what people tend to look at is his trajectory, rising up through the provinces. It was clear to me that he wasn't going to be a political reformer. There was no evidence of that. He wasn't a Li Yuanchao, somebody who experimented with having his officials debate each other, or with private enterprise more, whatever. That's not who he was. So I knew that much, but to think that he would roll back political reform in the way that he did, tighten the controls on the Internet. I mean all the steps that he's taken, I really don't believe anybody could have predicted that.

Mike Green: Do you think this is reversible or shapeable or is this the China we're going to be dealing with for as long as he's in charge?

Elizabeth Economy: Oh, I think this is the China we're going to deal with for as long as he's in charge. I don't think Xi Jinping's about to change his stripes. I know there's a lot of talk about, "Oh, Xi Jinping is taking a hard turn left because he's got to rally support and then he's going to turn right because he really is a big reformer." Nah, I never bought that idea. That was ludicrous.

Mike Green: Yeah.

Elizabeth Economy: No, I think he believes he's sitting on top of this massive enterprise. He's consolidated an enormous amount of power in his own hands. And I think it's very hard for him to let go of that, to relax the levers of control. I see no evidence that he's planning to do that whatsoever. And again, I find it surprising still I have to say, that there's been absolutely no moderation of this Wolf Warrior diplomacy, of this very aggressive Chinese foreign policy in the face of such backlash.

Mike Green: Yeah, but the backlash has only been coordinated recently I would argue. So yeah, China's become really unpopular. Yeah, the Trump administration unilaterally slapped tariffs and strategic investment screening and blocked Huawei from 5G and things like that. But Chinese leaders look very much at alignment of other powers and there has not been that much alignment. Trump isolated allies as much as he pulled them together. And now you're starting to see with the Quad Summit, with Europe's turn, I think Europeans will probably now not ratify the economic investment agreement, the CAI, you will probably see more European and American cooperation on Xinjiang and Human Rights Now.

Mike Green: And so I wonder whether maybe we're beginning to test for the first time, whether we might convince China to moderate its behavior because of the strategic and geopolitical implications of what it's doing. What do you think?
Elizabeth Economy: Possible, but I mean even, look, you guys at CSIS have done a lot of the great polling, right? That demonstrates just how unpopular Xi Jinping is globally. And not even just among advanced democracies in North America and Europe, but globally. I mean look at Cambodia for example, they don't want China certainly as a regional leader, but Xi Jinping himself is unpopular. And that actually isn't that new, that's been for a couple of years, a lack of trust in Xi Jinping and China.

Elizabeth Economy: So I think to me it's surprising that there's been no step back to say, "Yeah, let's at least put out that rhetoric of win-win." The one about the rising tide lifts all boats, we're all in this together, which I think is the way that at least some members of the Standing Committee of the Politburo and certainly I think many of our friends and colleagues in the academic and policy think tank community in China would prefer for China to move.

Mike Green: Yeah. When they teach grand strategy at the National War College or to military officers, they say one critical ingredient is flexibility, agility, what Joe Nye calls contextual intelligence, realizing when it's not working. Is there something broken in the Chinese system right now? There are rumors of this CICIR, China Institute of Contemporary International Relations report saying, "Hey, we're getting our behinds kicked right now. We're overdoing it." It's just a rumor. What do you think, is the system capable of that kind of feedback?

Elizabeth Economy: I think it's true and I think—

Mike Green: The CICIR report is true?

Elizabeth Economy: I actually think yeah, absolutely. I think the report is true. I mean I know many of the top scholars in China are concerned about this Wolf Warrior diplomacy, think it's a big mistake and have counseled that the government should take a step back from it. In fact, at one point, they were trying to convince a lot of us that they had in fact taken a step back and that, "Oh yeah, that Wolf Warrior diplomacy? It's pretty much all over. You don't need to worry about that anymore." That's clearly not the case.

Elizabeth Economy: So I imagine some of them are a little bit surprised as well that Xi Jinping is sort of doubling down on this strategy. I can only assume that they believe that the broad masses of the Chinese people like it, right? And what we saw after Anchorage with Yang Jiechi and these T-shirts that say "Stop messing in our internal affairs now" that are being sold in China and are popular. I think that's the kind of energy that Xi Jinping is sort of cultivating and drumming up with this kind of behavior.

Mike Green: The Russians like it. What do you make of your old Russia studies stomping ground? What do you make of the Sino-Russian, fill in the blank, alliance, alignment, marriage of convenience? It's intensifying.

Elizabeth Economy: Yeah.
Mike Green: Especially since the Quad.

Elizabeth Economy: I think we've moved past the argument that a lot of people made that it was a marriage of convenience. We are at the very least at alignment and I think moving toward something more formal like an alliance. I mean I think Putin even kind of suggested maybe there'd be some room for a more formal alliance and Xi Jinping didn't pick up on that. It would make it very difficult for Xi to call for the end of the US-led alliance system, as he is wanting to do, if in fact China started establishing formal alliances.

Elizabeth Economy: So yeah, I think pretty much across the board, look, Russia and China for a long time have worked together in the United Nations. Russia didn't criticize China in the South China Sea, similarly, China didn't criticize Russia for Crimea. China's increased its investment in Russia fairly substantially, trade is growing, wouldn't call it booming. They're starting to partner with Iran, right? Doing military exercises with Iran. So you're beginning to see, I think, a pretty strong alignment. And again, some sense of an unholy alliance that's emerging so I think it's something that we need to be watching very, very carefully.

Mike Green: Would you say we need to change course, back off on China, back off on Russia, try to split them? Or is it just it is what it is and we're doing the right thing with the Quad, strengthening our alliances, strengthening the transatlantic dimension of China's strategy?

Elizabeth Economy: Yeah, I don't actually think that backing off will earn us anything at this point. And I don't actually think there's an opportunity to split them.

Mike Green: Yeah.

Elizabeth Economy: I think Putin has cast his lot with China at this point.

Mike Green: Yeah, I'm with you on that one. And as long as Putin and Xi Jinping are in place, we'll get modest gains at best with a wedge strategy and the downside risk is big. But I for one would be comfortable having Japan, for example, explore relations with Russia or India to try to at least leaven a little bit, slow down a little bit the Sino-Russian alignment. Pull some costs, frankly, because what Russia is doing with China is hurting its relations with India, with Japan, with Korea, which are not unimportant for Russia's economy.

Elizabeth Economy: Right. I mean I do think that looking forward, there could be a few issues that emerge. And I think in particular, sort of China's growing role in the Middle East, not simply economically, but its sort of increasing interest in playing potentially a power broker role, is beginning to play a more important role in terms of arms sales.

Elizabeth Economy: So I think to the extent that China begins to compete with Russia in some of Russia's traditional stomping grounds, as it has in Central Asia, that may give
Russia some pause. China in the Arctic, Russia hasn't actually said, "Yes, let's welcome a much greater role for China in the Arctic." Yes, it's willing to partner with China, but it's not sort of advocating for China to become a member of the Arctic Council, which China would like to do of course.

Elizabeth Economy: So I think Russia, while embracing China, nonetheless wants to preserve its own sort of leadership role in at least some spaces. I will note that Xi Jinping said that Putin was his best friend in the international community. So it always made me laugh because, of course, Donald Trump was always trying to say that Xi Jinping was, they were very, very close friends.

Mike Green: Yeah.

Elizabeth Economy: But Xi Jinping never said that about Donald Trump.

Mike Green: As long as Xi Jinping doesn't take his shirt off like Putin, we'll be okay.

Elizabeth Economy: Yeah.

Mike Green: I spent a summer in Mongolia pre-COVID, and under the surface, you could sense that zero-sum dimension in Russia-China competition in those parts of the world, the kind of competition you don't see between the US and Japan or the US and India or the US and Europe. So it's a limiting factor for them I think.

Mike Green: So you're, I gather, a fan of the strengthening of alliances and partnerships to deal with China. The Biden administration is doing it, I've been working on it since the '90s with Kurt Campbell and the Pentagon, and then in the Bush White House. And it's now, I think, a bi-partisan and broadly accepted strategy, but you testified recently we also have to talk to China. We need dialogue mechanisms. How do you do that? We obviously didn't do it in Alaska. That was a pretty contentious meeting. So how would you structure a productive dialogue mechanism with China?

Elizabeth Economy: Yeah, I don't think we needed to do it in the last guy. I actually thought that the administration approached it in exactly the right way. So I'm so far 100% on board with the way that this administration is approaching China, which as you suggest is rooted in alliances and I think also in values and multilateral institutions. So for me, that's like the trifecta, I'm 100% on board.

Elizabeth Economy: In terms of having some form of cooperation with China, look, I think cooperation becomes narrow, targeted, highly focused and sort of single lane dialogues. So a dialogue on climate change, right? Do we cooperate in terms of setting benchmarks to realizing our 2050 and 2060 carbon neutrality goals? Can the United States help China bolster its emissions trading system and the power sector, which is big but weak, not very robust. Are there opportunities to pressure China, that doesn't really count as cooperation, but nonetheless, to
pressure China to do better in terms of the Belt and Road and all the coal fire power plants that it's been developing.

Elizabeth Economy: So I do think it's important to seek common ground and common purpose where we can, but as President Biden said, we do it where it's in our interest. And to me, that's just the fundamental thing. What we can't do and which the Obama administration denies it ever did, is ever trade out something like cooperation on climate change for something else. Xi Jinping has proclaimed himself global leader on virtually everything at this point. And that gives us enormous leverage, right? It allows us to hold Xi Jinping to account. When Xi says China's going lead on global climate change, "We're defending global climate change," well, great. Then let's see what you actually do. So I think there is no point now in saying anything like, "If we ever did." Yeah, let's not undertake that freedom of navigation operation because we want to work with them on climate change. So that's what I want to avoid.

Mike Green: I believe that the Obama administration actually did just that on a few occasions, but to be fair, there were people in the Bush administration and the Clinton administration who advocated similar approaches to China on issues, on global issues of finance, and in our case, terrorism. For Obama’s team it was climate change, huge mistake.

Elizabeth Economy: Yeah.

Mike Green: And I think one thing you can say about the current team, at least those in the State Department and the White House and Pentagon is they know that full well.

Elizabeth Economy: Yes.

Mike Green: So when we were at the CFR together, you were working on a book, a great book, which was basically about China's enormous environmental and pollution problems, huge vulnerability. You were one of the first China experts to start talking about the underbelly, some of the challenges China would have as it was rising in power. How do you look at China's vulnerabilities now? China is trying to create its own semiconductor industry. China is trying to create its own everything. Is this going to run its course and we'll find that Beijing is actually back at the table looking for help? Or do you think that China can actually pursue a kind of autarky in some of these areas?

Elizabeth Economy: So I think what we've seen is that you're exactly right, especially in technology areas. China's Made in China 2025 was all about China controlling the manufacturing of components in 10 critical cutting edge areas of technology by 2025, having 70, 80, 90% of the domestic market and then becoming global champions. I think what the Trump administration did, frankly, with the pressure that they placed on China with the entities list and everything else, and the sanctions, was to put them a little bit off their game. Yes, it accelerated the
push because China was without any other option, but that's where China was going anyway. So it's not as though had the Trump administration not undertaken these actions, China would have welcomed Qualcomm and others forever. That's not the way it was going.

Elizabeth Economy: So I think China is pushing toward that, but I think what history teaches us about China's endeavors in this area, you can look at something like the push on electric cars, which was a 10 year and now 15 year effort, is that there's an enormous amount of waste and fraud and inefficiency that comes about from that top down form of technological development. And they pay a huge price for it. If you look at the electric car market in China today, what do you have? China is the largest electric car market in the world. Of course, it's the largest population in the world. It's the largest manufacturer of electric cars, but it hasn't produced the Tesla, right? And so in terms of that innovation, that true breakthrough innovation, it still lags. And I continue to believe that is a vulnerability. Yes, China is more innovative than people gave it credit for, but still when you're looking for true breakthrough innovation, you don't find maybe more than one hand's worth that you can count. So I think that's a vulnerability that China continues to have.

Elizabeth Economy: If I had to think of a couple others, I probably would say, I think that middle-class is still going to bring pressure to bear on China. I think you're beginning to see important debates around privacy that could have implications for China's—the government intrusion over time. And I think demographics is probably another area of concern for China. They haven't, despite increasing the number of children, moving from the one to the two child policy in 2016, they got a small bump in 2017, but ever since then, the number of births has continued to decline. It's the lowest level now in Chinese contemporary history. The divorce rate is skyrocketing. The number of women between the ages of like 22 and 35 is going to decline by 40% between 2015 and 2025. I mean it's extraordinary.

Elizabeth Economy: What does that mean? I think it has implications obviously for the size of the consumer market, right? Because part of this whole dual circulation thing that Xi Jinping is imagining is just that China has a large enough market that it can be self-sufficient and self-sustaining, but it also has implications for innovation I think. Because look, young people are the innovators, they're at the cutting edge of innovation and they're the ones that are the early adopters as well. So I think that that's a big issue that China has yet to address. And there are lots of reasons why women and families are not having children, but China doesn't seem able to, or isn't willing to take the necessary steps to truly address that. So I think there are definitely some vulnerabilities.

Mike Green: So earlier you said that we're going to be dealing with the China that we see right now as long as Xi Jinping's in power, but just now you described half a dozen variables that can make China look very different in 10, 20, 30 years. So it sounds like we have to be vigilant, firm, flexible, adaptive. Let me just end by asking you this. If you were now starting off on a PhD or starting off on studying China again, if you were yourself going to grad school, what advice would you
give? Because this is awfully evocative for me at my time studying Japan in the late '80s and early '90s, where people were scared of Japan, were making linear projections. You could see, if you went to Japan, some of the reasons why that probably wouldn't happen. It was a very confusing time actually to be doing graduate work on Japan, because there was such hostility and yet so much affection. And it's kind of similar, people really, students, my students, they really enjoy studying in China. They really enjoy studying China and China's increasingly adversarial and Xi Jinping's government is increasingly repressive.

Mike Green: How do people starting off in the field get in the right mental place if they're going to be spending their entire career focusing on this country, which is becoming so problematic for us right now? And yet has so much attraction, not just for students, of course, but for business and so forth. What's the right mental frame for people getting into the China field you think?

Elizabeth Economy: Yeah, prepare for the worst and hope for the best.

Mike Green: Okay, all right.

Elizabeth Economy: I mean I would just say, without being too glib, I think it's going to be hard. I have a number of former research associates who are in PhD programs now, and a lot of them, they're working with data sets or they have to do IR. There's so much less opportunity to do comparative politics, which is what I did, and actually go spend time on the ground, learning about the country from the ground up and really develop that kind of multilevel understanding, right? Where you can interact with civil society and government officials and the scientific community and the business community, and have that range of experiences that brings about that depth of knowledge. China's making it very difficult to do that. I think it's going to be a rough road for young scholars who really want to do on the ground research in China these days. On the positive side, we're going to have a lot of really great quantitative analyses of what's going on.

Mike Green: That and a quarter will get you a cup of coffee. No, it's an important aspect, but it's no substitute for the qualitative research.

Elizabeth Economy: No, I agree.

Mike Green: We need to really understand the trajectory of this most important and at times frightening player in the global system. So well, people will be able to keep learning from you. You have a book coming out. What's the title?


Mike Green: And it's about China's play for global leadership?

Elizabeth Economy: Yeah, how China is shaping the global landscape, exactly.
Mike Green: Well, that would be a good place for people to start in November or so I gather?

Elizabeth Economy: Yes.

Mike Green: In the meantime, they can read your most recent book on Xi Jinping's China and your earlier work and all the stuff you've been doing at CFR and will now do at Hoover. Congratulations on the gig, Liz, excellent. Always learn from you. Thanks so much.

Elizabeth Economy: Thank you, Mike. A lot of fun.

Andrew Schwartz: Thanks for listening. For more on strategy and the Asia Program's work, visit the CSIS website at csis.org and click on the Asia Program page.